

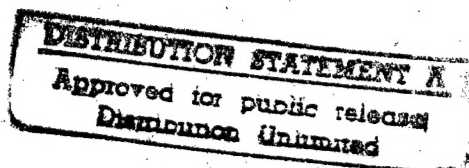
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12 January 1984

# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS



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12 January 1984

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

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NEW AGROINDUSTRIAL ASSOCIATION WILL INCREASE FOOD SUPPLIES

Sofia KOOPERATIVNO SELO in Bulgarian 15 Nov 83 pp 1, 2

[Article: "Major Goal: Greater Satisfaction of the Populace's Needs"]

[Text] An interokrug agroindustrial association was founded yesterday in the capital. The founding meeting was chaired by the secretary of the Central Committee of the Bulgarian Communist Party, Vasil Tsanov. The resolution of the 12th Party Congress, the new economic approach and its mechanism, require, he stressed in his opening remarks, that the association be built on voluntary initiatives, through which it would make fuller use of the possibilities for increasing production and for better satisfaction of the populace's needs for agricultural products.

Taking part in the founding meeting were the secretary of the Central Committee of the Bulgarian Communist Party and first secretary of the Sofia municipal committee for the party, Chudomir Aleksandrov; the secretary of the Standing Committee of the Bulgarian National Agrarian Union, Dimitur Karamukov; the chief of the agriculture section of the Central Committee of the Bulgarian Communist Party, Angel Bobokov; the president of the Capital People's Council, Petur Mezhdurechki.

The president of the National Council of the National Agroindustrial Union, Aleksandur Petkov, spoke about the establishment, activity and tasks of the association. He pointed out that the capital is the most significant center of consumption. In practice up to now, fruits and vegetables, in fresh or processed form, are sent to Sofia from other distant okrugs, unjustified transport expenses are incurred, the quality of the produce is diminished, while in the capital's neighboring rayons not all possibilities for increasing production are utilized. With the founding of the interokrug agroindustrial association, the aim is, on the basis of the economic approach, to use more fully these possibilities and to insure more fully the satisfaction of the needs of people in Sofia and neighboring rayons for agricultural and food products.

The delegates unanimously resolved to establish the interokrug agroindustrial association in the capital. Grigor Lilov was elected president.

The founding meeting elected a management council and an operations bureau, and also the members of the monitoring council. The association's provisional statute was adopted.

Immediately after the founding meeting, a representative of this newspaper met with the president of the association, Grigor Lilov, and asked him to dwell on the details of the association's aims and tasks, the economic and social functions assigned to it, and the means available for working them out.

This is what he shared:

#### The Prospective Form for Integration

The interokrug agroindustrial association in Sofia is an economic association with functions significant for its scale. It unites all the agroindustrial complexes of the Blagoevgrad, Vratsa, Sofia, Pazardzhik, Kyustendil, and Pernik okrugs, and also the Sredets agroindustrial complex and a number of agricultural organizations in other okrugs. Also members of the association are the basic trusts and major combines and enterprises for the food industry, economic organizations for trade, transport, and other branches of the national economy, which produce or are connected with the production of agricultural and food products.

In the statute adopted by the general meeting of the association, the goals, functions, and tasks, as well as the means for their realization, are defined. The interokrug agroindustrial association is a voluntary union of agricultural, industrial, trade, and other organizations included in it; these units work toward increasing production and satisfying more fully the needs of the populace in Sofia, the okrug centers, and village systems for basic agricultural products in fresh and processed form. It will carry out its activity primarily with economic means, as it integrates the material, financial, labor, and other resources of its members with the economic and other organizations for building a contemporary material and technical basis and specialized enterprises for production, storage, processing, transportation, and realization of agricultural and food products.

Special attention will be devoted to the further rapid building of Sofia's milk-livestock and fruit-vegetable zone. The association will continue the concentration and specialization of agricultural production, subject to the needs of the populace, with resources mainly from its own production. To meet this goal, it will rapidly increase planting of vegetables and vines, as well as fruits and green vegetables, in all suitable rayons. It will continue to build greenhouses, mainly on the basis of hydrothermal and new sources of energy. Special attention and concern will be given to the most rational use of possibilities for private and auxiliary farming, as well as other reserves that ensure a system of self-supply to the populace.

One of the basic directions in the association's activity will be the construction and modernization of the contemporary production base of livestock buildings and complexes, water reclamation sites, fruit storehouses, refrigeration units, enterprises for processing agricultural production, a trade network, and other sites connected with the realization of its main task.

At the same time, it will conduct, either director or through its members, engineering-implementation, placement-equipping, trade, transport, engineering, and other activities.

The association is assigned tasks for realizing the production generated by its members or in its own enterprises. For this aim, together with the obligation to obtain a trade network for agricultural and food products, the association will, either directly or through its members, open and maintain company stores, will organize commission and shopping trade; in connection with this, it will regulate and distribute production in its rayons.

The association has been given the status of a corporate entity. It can enter into direct negotiation relationships with ministries, administrations, and economic organizations and will bear full responsibility for its economic activity and for the repercussions which result from the resolutions and work of its organs over the economic activity of its members.

The interokrug agroindustrial association is built on the principles of democratic centralism. It is guided by general meeting and by its elected organs.

The economic organizations which are members of the association retain their corporate and economic independence, administrative and territorial subordination. At the same time, they are obliged to maintain the ordinances of the statute and the resolutions of the association's management organs and to cooperate in the attainment of the association's posted aims and goals.

One thing is clear from now on: the interokrug agroindustrial association must find its place in the realization of the December program and resolutions of the 12th Party Congress for further improvement of the national standard of living.

12334

CSO: 2200/45

EFFORTS TO IMPROVE EEC-CSSR TRADE RELATIONS DISCUSSED

Prague RUDE PRAVO in Czech 23 Nov 83 p 6

[Article by Petr Augustin: "We Want To Open Dialogue Between the CSSR and EEC on Trade Relations"]

[Text] In our discussions with Western journalists, representatives of political and economic circles we have been encountering recently with increasing frequency the view which tries to convey the impression that by its trade policy the CSSR wants to weaken its economic relations with the West in favor of relations with the socialist countries. In view of the fact that this assertion is being repeated ever more frequently, we deem it necessary to demonstrate in the case of the CSSR's biggest partner among the developed capitalist countries--the European Economic Community (EEC)--the actual background of the stagnation in the Czechoslovak trade turnover with this integrated group, which represents 60 percent of CSSR trade with the developed capitalist countries.

More serious problems in trade policy between the CSSR and EEC began to arise after 1974 when, on the initiative of EEC member countries, the bilateral agreements that had been stable and for both contracting parties an advantageous basis of mutual economic relations were cancelled. The reason for this step was the transfer of national jurisdiction in the area of trade policy to the EEC organs. At the end of 1974, the principal EEC organ--the Commission--actually offered to the CSSR as well as to the other CEMA member countries a new trade agreement to sign. The terms of this offer were so formulated as to be deliberately unacceptable. In contrast to the agreements signed with the EEC member countries prior to 1974, which contained the principle of nondiscrimination, the new offer was based on the so-called principle of effective reciprocity.

The principle of effective reciprocity can be described as follows: If a trade agreement were signed, the EEC would expand the potential area for the Czechoslovak exports by increasing the existing quotas or by a certain additional limited liberalization of imports from the CSSR. As a counter-concession it would demand that the CSSR commit itself firmly to increase imports from the EEC every year by a certain percentage or by a certain quantity. The drawback of this offer is evident. By accepting it the CSSR

would have created for itself a dangerous precedent, because this offer is worse than the status of the CSSR as a constituent country of the General Agreement on Tariffs and Trade (GATT). Through its participation in the GATT, the CSSR is guaranteed nondiscrimination by all contracting parties which signed this agreement with the exception of the United States, which has been grossly violating this principle since the 1950's.

#### Methods of Trade Restriction

An extraordinary difficult situation developed for the CSSR after 1974. The EEC member countries had not effected the promised liberalization of imports from the CSSR and the EEC thus "inherited" the existing trade restrictions. These quantitative restrictions constitute a limiting factor in the Czechoslovak exports of metallurgical material, textile products, glass, porcelain, ceramics, shoes, some chemical products, automobiles, furniture, electromotors and a number of additional products of interest to the CSSR. Moreover, a substantial proportion of these limits is expressed in the currencies of EEC member countries, which experienced a very rapid inflation, and the existing quotas were thus further devalued.

This protection of the market against Czechoslovakia with 15 million inhabitants, however, did not seem adequate to this trade and political giant with a population of 250 million. Czechoslovakia was gradually compelled to sign autolimiting agreements in the area of metallurgical products and textiles. Particularly restricting for Czechoslovakia is the autolimiting agreement on exports of Czechoslovak metallurgical products to some EEC member countries which had been traditional Czechoslovak markets in the past. It is particularly striking in case of Great Britain, and also France. The EEC member countries reduce the agreed upon quotas every year and thus further restrict the Czechoslovak export possibilities in one of the key export articles.

Another significant manifestation of increasing discrimination against Czechoslovak exports is the excessive misuse of antidumping procedures against Czechoslovakia. With these procedures the EEC tries to demonstrate that Czechoslovak exports pose a threat to manufacture of some products in the EEC. The EEC thus achieved a remarkable result during the 1981-1982 period. In the number of instituted antidumping proceedings, the CSSR occupies the second place right after the United States and thus constitutes, according to the EEC, the second biggest threat to the proper functioning of the EEC member countries' economy after American exports. The arguments of responsible EEC circles that the antidumping procedures are instituted for strictly economic reasons do not seem to rest on solid ground in the light of the above facts, particularly if we take into account the fact that the third place in these statistics, right behind the United States and CSSR, is occupied by another socialist country--the GDR.

On the one hand there is thus an increasingly restrictive attitude toward the CSSR and other socialist countries; on the other hand there is an open door policy toward those West European countries which are not members of the EEC as well as toward the countries in the Mediterranean area. The EEC

created with these countries a zone of free trade in industrial products which flow to the EEC virtually without any quantitative restrictions and duty-free. It is a well known fact that trade within the duty-free zones develops much more rapidly than trade with the countries which must overcome customs and other barriers.

These examples demonstrate that the EEC trade policy toward the CSSR is of an explicitly class nature and is used as a very important political tool. The EEC thus artificially hinders more than 20 percent of Czechoslovak exports, and this percentage shows a constantly rising tendency. The already mentioned antidumping procedures, with which the EEC is able to eliminate partly or completely certain Czechoslovak goods from its market within a short time, have become particularly effective and dangerous too.

#### Forms of Pressure

The actual bilateral negotiations between the CSSR and EEC are usually backed by pressure. This is typical, for example, of the negotiations on the export of Czechoslovak metallurgical materials. The situation is so tense that even prior to the start of bilateral negotiations the EEC organs decide how much the Czechoslovak exports will be curtailed. The Czechoslovak delegation is then informed that, if it does not accept such terms, Czechoslovak goods will be eliminated from the market by other means.

Another typical feature of the EEC and its member countries toward the CSSR are alibis in trade policy. If the Czechoslovak party asks the EEC organs for increasing the quota set for the Czechoslovak exports of a certain product, it usually receives the reply that the member country in question must consent to it. The respective member country, however, tries to find excuses by pointing out that trade policy is no longer within its jurisdiction, but within the jurisdiction of the EEC organs. It is obvious that this is not an accident, but rather a well thought out system of hindering Czechoslovak exports.

The CSSR was not spared even in the sensitive area of finances. Without any consultation it was reclassified, together with the USSR and GDR, by the Western countries, including the EEC, last year and included in the group with the least advantageous terms of credit offered by the Western countries.

Although the EEC acts as an integrated unit in trade policy, the differences in the member countries' attitude toward the Czechoslovak export interests are evident. Denmark, Greece, the Netherlands, the FRG and Luxembourg have relatively more liberal attitudes toward Czechoslovak exports. On the other hand, Great Britain, France and to some extent also Italy use restrictions on the extraordinary sensitive Czechoslovak exports.

Despite this EEC attitude toward trade interests and especially the rights of the CSSR as a constituent contracting party to GATT, the Czechoslovak trade policy exercises prudence and tries to carry on a correct dialogue with the EEC. It tries to understand the existing economic difficulties



faced by the capitalist world and the EEC, which lags technologically behind the United States and Japan, but it cannot accept the assertion that the CSSR--a country which accounts for less than 1 percent of EEC trade--poses a threat to the economy of EEC countries and that Czechoslovak exports must therefore be curtailed.

The CSSR strives for the normalization of its relations with the EEC despite the fact that this integrated unit practices discrimination, hinders and tries to reduce Czechoslovak exports.

This year the CSSR intensified its efforts to improve its trade relations with the EEC. It will depend now on this integrated organization and its member countries as to what course they will take during the next round of negotiations, which are planned to take place prior to the end of this year. They will be regarded as a test, of whether the expansion of trade relations with the CSSR is meant by the EEC sincerely, in the spirit of the Helsinki Final Act, or whether the EEC will intensify its protectionism toward its small trade partners, particularly the socialist countries, in view of the fact that the EEC itself is forced to make concessions to the protectionism and aggressive trade policy of the United States.

10501

CSO: 2400/107

CSSR PROVIDING SIGNIFICANT ENERGY ASSISTANCE TO CUBA

Prague RUDE PRAVO in Czech 22 Nov 83 p 3

[Text] A CSSR delegation headed by the Minister of Fuel and Energy Vlastimil Ehrenberger met with the delegation of the Cuban Republic headed by Minister of Heavy Industry Marcos Portal. The discussions were concluded by signing of a work agreement evaluating the existing cooperation in the field of energy and outlining future developments until the year 1990.

The Cuban minister used the occasion to estimate the high value of the energy assistance provided by Czechoslovakia since the victory of the Cuban revolution. He pointed out that 13 percent of electric power in Cuba is now being generated in plants built with the CSSR assistance and that during the coming 5 years this contribution should increase to 35-40 percent.

A construction of the first Cuban pumped storage electric power plant enabling Cuba to solve the problem of daily power peaks will begin next year in the Escambray mountains.

Minister Ehrenberger emphasized that while the first stage of cooperation in the field of energy concentrated on the Czechoslovak assistance in placing the Cuban energy generation and distribution nets into operation, it has now become a research and development cooperation involving the preparation of Cuban specialists directly in the CSSR.

Among others, CSSR will participate in equipping the school for the training of Cuban cadres for the first nuclear power station which is being built near the city of Cienfuegos.

CSO: 2400/157



CZECHOSLOVAKIA

SSR DEPUTY MINISTER URGES HIGHER QUALITY OF STATE SERVICES

Bratislava NOVE SLOVO in Slovak 10 Nov 83 p 8

[Interview with Eng Emil Hanak, SSR deputy minister of interior, by Marian Pauer: "More Flexibility in Services"; date and place not specified]

[Text] After the Sixth Plenum of the CPCZ Central Committee and the plenum of the CPSL Central Committee, the attention of the broad public was particularly focused on the matter of services. There is more and more urgent talk about their quality, timeliness and accessibility. Many problems must be solved before planned objectives become a reality. We discussed this problem and its current status in the local economy with Eng Emil Hanak, the SSR deputy minister of interior for the sector on the local economy and services.

[Question] The SSR government, in resolution No 85/1982 on principles of more effective management and more flexible provision for the expansion of paid services, directed the ministers, heads of other central agencies of the SSR state administration, councils of the KNV [Kraj National Committee] and the council of the National Committee of the SSR capital, Bratislava, to carry out the tasks issuing from this resolution. At the same time it asked the deputy chairmen of Slovak unions of production, consumer and housing cooperatives to see to their consistent implementation. What procedures did they adopt to carry out this document?

[Answer] Government measures for implementing the principles of more effective management and more flexible provision for the expansion of paid services and the plan for legislative and other measures were developed by the SSR Ministry of Interior and other ministries involved into 68 comprehensive and partial tasks.

The results achieved in the first half of 1983 show that the new economic instruments and plan indicators for the local economy are having a favorable effect on plan fulfillment. Likewise, amended instruments of financial, wage, price and social policies are also effective. At the same time, however, it appears that certain basic problems are still not resolved (especially in the area of management of the local economy, setting up a material and technical base of services, research and development [R&D], supplying spare parts and the training and instruction of young apprentices). These must be resolved without delay.

Speeding up the expansion of services for the people calls for greater initiative on the part of national committees and coordinating the system of services that bear on the territory administered by them in accordance with the amended law on national committees.

[Question] You mentioned that the new economic instruments and indicators are favorably influencing plan results. Could you indicate in more detail what this represents?

[Answer] The KNV and the National Committee for the capital of the SSR stipulated five basic indicators for organizations of the local economy in the area of planning. Only one of these--the share of wages for limited output--is mandatory. The others--limited output, limited services for the people, deliveries to consumer goods inventories and profits--are prescribed as guidelines.

Planned objectives for the first half of 1983 were met on the whole for quantitative and qualitative indicators. However, I would like to point out certain peculiarities and differences which are appearing in this year's plan fulfillment.

A noteworthy feature of this year's plan is the sharp drop in the amount of material used in overall output (achieving a savings in material of Kcs 6.1 million). Credit for this is unquestionably due to implementation of the plan's limited indicators.

In past years the plan was exceeded by the growth of labor productivity (naturally also by constantly increasing amounts of materials used). This year there was a fundamental change and by exceeding the plan of limited output by Kcs 35.5 million a relative savings of up to 41 million was attained, together with a savings of 518 workers, compared with the plan. The development of the growth and structure of output is therefore very favorable.

In the framework of total output of enterprises of the MH [local economy], services to the population must be evaluated differently. Exceeding the indicators for limited services to the population by 4.3 percent compared with the plan and 6.1 percent compared with last year is certainly positive. It should be emphasized that the effect of regulating labor and service costs from stages I and II are not yet projected in the plan.

In spite of the good total results of plan fulfillment, 14 enterprises of local industry and communal services failed to meet the plan for limited output, 7 for limited services to the population and 9 for deliveries to domestic trade.

The reasons for nonfulfillment are largely due to unresolved problems in the plan, a low level of managerial and organizational work, a high incidence of employee sickness and, in some cases, also in unresolved seller-buyer relations.

According to results from the first half of 1983 and trends in ensuing months, it can be expected that on the whole the plan objectives for 1983 will be met.

However, special attention on the part of managing bodies will have to be directed to joint resolution of the problems in lagging enterprises. We are rating favorably the development of services in the individual krajs and in the territory of Bratislava, the capital of the SSR, especially in view of the expansion of service networks, the organization of new kinds of services and innovative products.

In the first half of 1983, enterprises of the local economy delivered products worth Kcs 920.5 million to the consumer goods inventory, of which 317 were innovative ones.

[Question] How do national committees, especially in smaller communities, ensure the expansion of service networks?

[Answer] Services to the rural population are also provided by small servicing shops of the national committees in 935 communities. The national committees issued 3,093 licenses to citizens for providing labor and services to their fellow citizens. At the present time an additional 176 servicing shops of the MNV [local national committee] 25 servicing shops of production cooperatives and 108 servicing shops of other organizations have been established. The delivery time for service has been shortened for 78 operations and their quality is also gradually improving. The national committees have adjusted the hours of operation in service shops and collection depots so that service is available in cities once a week even after 6 pm and on Saturday. They have also expanded service to people's homes.

The expansion of supplementary forms of service was expected to offer substantially more flexible artisan and repair activity and other services directly at the place of residence. But results so far have been modest and sporadic.

[Question] The key problem for the expansion of services is building a material-technical base for them. We are aware of the situation in capital construction and also in comprehensive housing construction, we know that most NV's [national committees] are looking into the possibilities of modernizing or repairing and remodeling non-residential areas or buildings which have not been used for years. This considerably influences the quality and availability of services and application of elements of R&D. What is the present status in this regard?

[Answer] In the first half of 1983 not a single capital construction project for services of over Kcs 2 million was started, nor was any completed.

In special purpose capital construction of enterprises for the local economy and communal services, there are 20 projects under construction of over Kcs 2 million, of which most are behind in construction in the Central Slovak kraj--the Services Building in Liptovsky Mikulas, the laundry and dry cleaning plant in Banska Bystrica; there are also delays in the car service station in Puchov, the greenhouse management of OPKS in Rimavska Sobota and the car repair shop in Kysucke Nove Mesto. Remodeling of the boiler room for Communal Services in Bratislava is slow in getting finished. Capital construction projects are also lagging in other krajs of the SSR.

In 1982 the national committees built 30 service installations under Project Z and as many are planned for this year also.

The transfer of certain production programs (to the extent of Kcs 217.5 million) to centrally managed industry should also contribute to further expansion of services in the local economy and the cooperative system of production. The national committees and organizations of the local economy are preparing supplementary programs even in this stage for ensuring the production of goods for the domestic market and further expansion of services for the people.

[Question] How do you control the quality of services provided?

[Answer] The quality standard of production, labor and services in the local economy is ensured in four ways (mandatory evaluation of products through state and departmental testing and supervision of repair work and services by enterprises and their superior bodies). Departmental testing of products of the woodworking, textile and metal processing industries is organized by the Research Institute of the Local Economy in Bratislava. It is obliged to rate about 40-50 products annually. Bodies superior to enterprises perform quality control in laundries, dry cleaning plants, barber and beauty shops and auto service stations.

In 1982 more than 38 organizations of local production and services had units of the comprehensive system of quality control. There were 1,513 workers who competed for the title of purveyor of quality services. There are 360 servicing shops which hold this title, first class, with almost 3000 workers.

Professional standards for evaluating quality, labor and services have been prepared for more than 20 fields of activity, and these have been gradually being applied since 1982.

The present R&D base of the local economy in the CSSR which the Research Institutes of the Local Economy in Bratislava and in Prague (with 214 employees) are forming is not adequate to resolve comprehensively and carry out R&D tasks for all branches of production, labor and services. Nor in the future will it be able to resolve and carry out the tasks involving almost 800 kinds of crafts, labor and services. Many fields do not require an R&D base and the tasks in this area can even be taken care of by enterprises of coordinating management, but for basic service fields it is necessary to set up uniform and coordinated specialized management, from the SSR Ministry of Interior, through the KNV's, down to the district national committees. With the help of the Research Institute of the Local Economy and kraj organizations for the development of technology and coordinating organizations, comprehensive and effective execution of R&D tasks ought to be assured.

The SSR Ministry of Interior in cooperation with kraj national committees is developing an R&D concept for the local economy in accordance with the conclusions of the Eighth Plenum of the CPCZ Central Committee so that uniform technical procedures will also be provided in the development of services.

[Question] Comrade Deputy, we were talking about the procedures for carrying out the conclusions of the Sixth Plenum of the CPCZ Central Committee on the status of services and the factors that influence their expansion. What are your long-term objectives?

[Answer] The tasks issuing from the development of principles for more effective management and more flexible provision for the expansion of paid services have for the most part been carried out and their implementation is having a positive effect on the development and improvement of services. This was made possible especially through measures in the area of planning, financing, crediting, prices and simplification of statistical accounting and record keeping.

The effectiveness of the new economic indicators was positively seen especially in the savings of material and spare parts in repair operations. Opposite practices prevail in certain services where they use price-list costs including materials used--the savings in materials is charged to the customer. Therefore, it will be necessary to specify technical-managerial norms of material consumption further and see to their adherence.

Certain measures connected with intensified monetary incentives have not had the desired effect even though they were introduced back in the second half of 1982 in connection with implementation of the Increased Economic Effect of the Wage System. The new wage regulations, directives and measures, even though they are flexible, are not used everywhere with sufficient differentiation and so the whole area of personal monetary incentives, especially in the employment and remuneration of extra workers, remained less flexible and stimulating. The SSR Ministry of Interior and the national committees must intensify their instructional-control activity for the sake of proper and differentiated remuneration of individual workers and collectives according to merit. There are also problems persisting in the training of apprentice youths, especially in the organization of secondary technical training centers and their material-technical provisioning. There are only four secondary technical training centers for the training of 7,500 apprentices in the local economy in 53 vocational subjects. Five thousand apprentices are being trained in 59 centers of practical training. A uniform and effective system which would help avoid these shortcomings must be built up at the national committees and central offices. The SSR Ministry of Interior and the SSR Ministry of Education are preparing, on the basis of SSR government resolution No 235/1983, the principles for the organization and management of SOU [Secondary Technical Training Centers] organized by the KNV (NV) for branch specialties. These should eliminate fragmentation in the managerial and organizational operations of the national committees in the area of preparing young people for a working career.

[Question] On 1 February and 1 October 1983 the first and second stages of price regulation were implemented. How did this affect the quality of services?

[Answer] Except for the services of barbershops and beauty parlors, cleaning and dying plants, laundries, undertaking establishments and automobile repair

shops, a 15 percent profit will be guaranteed by these regulations for the great majority of service work in the local economy and production cooperative system. This should motivate organizations to expand services for the people and not only in production as heretofore.

So far there has been no effect from measures which were supposed to create material conditions for the expansion and improvement of services such as supplying materials and spare parts and providing certain services by centrally managed industrial and construction organizations. The expected interest did not appear in citizens or organizations to perform the work and services by supplementary forms and some officials of national committees did not perceive the regulations as being directed towards small servicing shops of national committees to provide services for the people.

The lack of solution to these problems is reflected in the inadequate development of networks and new forms of service, especially for the rural population, long delivery terms and such. These shortcomings are all the more pronounced since they are associated with existing regulations for the cost of labor and services and in certain kinds of services may reduce demand on the part of the population and increase moonlighting.

Improving services for the people depends to a considerable extent on the technical level and equipment of service shops and collection points, their cultural and esthetic outfitting and also the attitude of the employees towards customers. Meanwhile there are still more than 300 service shops in the local economy which do not meet basic technical and safety standards and it will be necessary to abolish them. An additional 1,056 have to be modernized and remodeled.

In view of the broad network of repair shops, collection depots and their regional distribution, plans for cadre, personnel and social development are especially important for the local economy since they are intended especially to improve the working environment, sanitary arrangements, health, social and recreational welfare of workers, their feeding, housing, cultural and sports amenities and other needs. In this area, too, more effective action will have to be taken.

8491

CSO: 2400/99

RATIONAL UTILIZATION OF LABOR URGED BY DEPUTY MINISTER

Prague HOSPODARSKE NOVINY in Slovak 11 Nov 83 pp 1, 7

[Article by Eng Milan Kysely, CSc, CSSR deputy minister of labor and social affairs: "Employment--But Rational"]

[Text] The tasks set for the further development of our society by the 16th CPCZ Congress, progressing economic integration of countries of the socialist community and complex external conditions require that we systematically promote a continuous increase in social labor productivity. The effort thus oriented, which gained the significant support of the recent Eighth Plenum of the CPCZ Central Committee, on the more rapid application of scientific and technological achievements in practice will make it possible to deal more actively with the tasks and problems brought about by the high rate of employment and changing requirements of its sectoral, professional and territorial structure.

The development of the national economy also this year guarantees full employment of the working age population. This full employment, clearly demonstrating the advantages of the socialist mode of production over the capitalist one, which has been struggling with a high rate of unemployment for a long time, includes also our citizens of retirement age who can and want to work. For the increase in employment which will amount to more than 40,000 this year there are enough job opportunities both in the production and nonproduction sphere.

Planning Must Improve

Successful economic development requires employment to increase not only in order to provide enough job opportunities, but also to be rational and effective employment which will satisfy the needs of the national economy in accordance with job opportunities in individual spheres and sectors. Considerable increases are being registered in the nonproduction sphere, particularly in the area of trade, the educational system and health care. The hiring quotas have been rather successfully met--particularly for the fuel sector--because of the measures adopted by the federal government at the beginning of 1982 for promoting the stabilization of the labor force in this sector. Other forms of recruitment also met with response, although some problems exist in hiring new employees for some organizations on the territory



of the capital of Prague primarily due to the limited possibilities of honoring the promises of allocation of apartments and insufficient capacities in the mass housing projects.

The work force in individual sectors of the national economy was augmented by graduates from vocational schools, high schools and colleges, which further raised the overall qualification standard of workers and has created prerequisites for better and more productive work.

Despite these positive tendencies, there is in most areas considerable interest in hiring additional workers, even despite a temporary slowdown of production, while on the other hand conditions for employment of colleges and high school graduates are not created on time in some instances. The need for certain jobs continues to be overstated, while the possibility of better work organization in this field is underestimated, and this adversely affects the work discipline and efficiency.

The changing conditions of the national economy, especially the planned re-orientation to very productive production sectors, will make it necessary for the central agencies and individual levels of management to improve planning in this area further, to prepare more carefully the plans of cadres and personnel development and to provide prompt adaptation to the new needs.

In accordance with the Set of Measures, employment targets have been set indirectly since 1982: employment is not a mandatory indicator because the number of employees has become only a monitorial, informative indicator. The jurisdiction of individual levels of management increased as to the selection of ways in which the labor force is to achieve the assigned tasks: they can increase employment or average earnings with the same or smaller amount of wages payable but always depending on the specified ratio of wages payable to the adjusted value added.

This relaxation of the mandatory determination of the number of employees is based on the premise that individual levels of management will use the new extended jurisdiction for the selection of ways to implement tasks which will be more effective for the national economy. It was expected that the existing reserves in the work organization and labor rationalization would be gradually more actively utilized, that the work discipline would be strengthened, and that activity and initiative of individuals and collectives would be valued in a more differentiated way. The actual development in the recent period, however, did not confirm this assumption and was severely criticized at the statewide meeting of activists in Prague dealing with the implementation of resolutions of the Presidium of the CPCZ Central Committee and CSSR Government on the present state of the national economy, on the fulfillment of tasks of the Seventh 5-Year Plan and especially on the fulfillment of the 1983 plan. "Absolutely inexplicable is the fact that economic and budgetary organizations do not make use of one of the important measures which helps promote the increase in average wages and also their necessary differentiation in this context by the reduction of the labor force. Up to now almost the opposite happened."



We considerably restricted regulatory measures in the area of employment for the economic organization beginning 1982 and for other organizations from the beginning of 1983.

We assigned the key role in bringing the labor supply and needs into balance to the kraj national committees. During the detailing of the plan and preparation of counterplans, they approve for the economic and other organizations the so-called upper limits of the number of employees. This simplified administrative procedure has proved convenient so far because it provides for prompt decisions on potential deviations from the labor needs of individual organizations.

#### Reductions of Labor Force Are Inadequate

Taking the entire national economy into account, it is necessary to say, however, that economic organizations are still displaying much greater interest in hiring new workers than has been anticipated on the basis of the Set of Measures and system of financial incentives now in effect. If the labor supply is sufficient, the kraj national committees grant the requests of individual organizations. In accordance with these requests, the kraj national committees approved an increase in employment from 46,000, originally anticipated by the state plan for 1983, to 51,300.

In comparison with the sum of plans for individual organizations, the employment plan on the central agency level shows a rather considerable difference. The enterprises obviously do not expect such an intensive effect of financial incentives on work standards, of workers' initiative and improved work discipline on the potential level of employment, as anticipated by the state plan.

We must pay increased attention to the effectiveness of changes in planning and regulation of employment and examine to what extent the present methodological rules and the method of determining the share of wages payable in the adjusted value added reflect the interest of the society in the intensive management of manpower.

The development in recent years has confirmed that economic organizations made very little use of the possibility to increase average wages and concentrated on increasing the number of employees. The 1982 plan anticipated a 0.3 percent increase in the employment in the socialist sector of the national economy, but the actual increase amounted to 0.4 percent. The employment plan for this year, however, provided for an even bigger increase in employment (a planned annual index of 100.7), although the actual increase up to the end of August was a little smaller (100.6). The development in individual sectors considerably varied and in some instances considerably deviated from the planned tasks (considerable increases contrary to the planned declines in the CSR and SSR Ministries of Agriculture and Food, and so on). Likewise, the trend in average earnings on individual sectors considerably varies and their very excessive increase in certain sectors cannot be combined with the more economical trend in employment.

To a certain extent we must assume that the transition to intensive management of manpower will be for some period affected by several surviving tendencies, a certain persistence of administrative forms of management. It may be presumed that also a certain degree of distrust exists with regard to the stability of rules now in effect. The essential point, however, is whether the dependence of wages payable on the adjusted value added can really achieve what we expect of it for the further development of the national economy from the management of manpower. We must reply to the question of how we have determined the relationship of wages payable to the adjusted value added, what demands have thereby been laid on the rational management of manpower.

The actual trend in employment and wages payable during the recent period of the Seventh 5-Year Plan reveals that we have included in this relationship essentially everything that conformed to the extensive management of manpower. As a result, no effective economic pressure was exerted on uncovering and utilizing existing reserves in labor productivity growth, while many government-sponsored measures designed to create conditions for more effective use of manpower are frequently complied with only formally.

#### Compliance With Work Standards

In accordance with CSSR government resolutions No 382/1980 and 176/1982, by which the program of increased economic effectiveness of the wage system was approved and amplified, the tasks have been set for the reexamination of all work standards now in use and the requirement has been laid down that they must be brought into harmony with the actual technical and organizational conditions. The goals have been specified for the broader application of standards to cover also operators of equipment and auxiliary and technical-economic activities.

Individual ministries prepared, although with certain delay in some instances, the political-organizational prerequisites for the accomplishment of this task and made use of the possibilities of wage equalization on a rather limited scale during the first stage of revisions. On the basis of a close observation of the development in this area, we must state that as of now the revised standards largely conform to the planned revisions of the wage scale and that the reserves available in this area are far from being uncovered. The question remains open as to how the standards will be brought up to date in the future and above all what economic tools will be used for this purpose. To put it clearly, the compliance with the standards and their quality must not be adapted to the anticipated wages, but the wages must be determined on the basis of compliance with the objective standards. They will thus exert more effective influence on the labor productivity increase.

If the effect of the revision and broader application of standards on the entire labor force, on the possibility of reducing the amount of wages payable, is to be significant and permanent, it must be properly and in a varying degree reflected in the relationship of wages payable to the adjusted value added. It is necessary to assume that, on the basis of economy measures and organizational improvements, changes in the work procedures, workers' initiative

and other factors in labor productivity, an increase of 1-2 percent in the reduction of labor per unit of output can be attained every year. This assumption is incorporated in the uniform methodological guidelines of the State Planning Commission for the preparation of operations plan for individual years of the Seventh 5-Year Plan. For industry and construction, for example, the targets have been specified for the relative reduction of the labor force and wage funds which should be achieved by the economy measures and which should account for at least a 1 percent increase in labor productivity. The achieved results demonstrate that most of the ministries have attained this specified percentage without major economy efforts.

The checks on labor rationalization which we have made in individual ministries have revealed that rather slow progress has been made in planning and evaluating labor rationalization. In most instances the enterprises do not proceed in labor rationalization according to a plan, do not follow up the effect, and the entire activity takes place spontaneously. It is evident, however, that much bigger reductions of the labor force can be achieved through this activity.

Another factor which should contribute to the reduction of the labor force over a longer period is that the standards will now apply to a considerable number of workers for whom no standards were used in the past. Despite the varying quality of standardization, this by itself will uncover various reserves in the utilization of working time. This factor should be significant also in the relationship of wages payable to the adjusted value added.

An even more significant circumstance affecting the size of the labor force is the scope and structure of capital investment, modernization and innovation measures which change the technology of production, the work content and result in the substantial reduction of human labor. Society invests considerable funds in these measures and it should be therefore regarded as a matter of course that the anticipated effect of investment should be reflected in the reduction of the labor force. Although we generally state that the capital assets per worker increase, criticize the fact that many workers in certain jobs are not very busy and that the number of shifts worked does not increase, we do not draw the necessary and possible conclusions from this and do not take the enterprises involved to task for their formulation of planned tasks in labor productivity increase.

The possibilities of positive control over the consumption of human labor lie in the more consistent application of more effective khozraschet forms of management, in the application of brigade forms of work organization and remuneration, in workers' initiative and socialist competition.

#### More Effective Mobilization of Reserves

On the basis of the above facts, which are far from covering all reserves in the utilization of labor, the share of wages payable in the adjusted value added should be more significantly reduced than we had assumed according to the plan so far. We must, of course, take into account wage revisions

which are effected from time to time, and also potential appropriate increases in average earnings which are desirable. But the labor productivity increase must be achieved more rapidly, while we must not underestimate the structure of adjusted value added, real dynamism of profit. We must keep in mind that the adjusted value added is calculated from current prices.

The small activity of economic and budgetary organizations in the area of rational management of labor can be explained only by the fact that the enterprises have the possibility of producing more wages payable than they objectively need, that they thus can employ more people than called for by the plan targets, and at the same time also increase average earnings and need not pay desirable attention to labor standardization and rationalization, use of working time, work discipline, working time losses, and so on. Inter-annual comparison of wage and other personnel expenditures on output and of shares of wages in the adjusted value added will give us enough proof in this respect.

In order to achieve more effective motivation of production organizations to mobilize reserves in labor productivity increase, we will have to create also in the future the methodological and organizational prerequisites for overall and better work standardization, to see to it that the processed and successfully tested labor standards are used on a larger scale, that labor rationalization is in the first place applied in areas with a big amount of strenuous and monotonous work, and so on. We will also more scrupulously examine the labor supply and demand, and effect its correct distribution. We will try to make the best possible use of the great possibilities of improving work processes resulting from the fact that the national economy increases the number of qualified workers every year. It is, however, essential that for these desirable and vitally important steps the plan must exert effective economic pressure by setting demanding tasks for individual levels of management based on objective analytical findings and developmental tendencies.

The common goal of effort of responsible managing organs must be, in accordance with the Eighth Plenum of the CPCZ Central Committee, to use more actively for the further development of our society the achievements of scientific and technological progress, to take into account the objective effect of the economic laws of socialist society and to try in the first place to create a demanding economic climate which would guarantee the long-term validity of economic tools. In addition to wages, bonuses and labor force, it is all other economic tools which play an irreplaceable role in this respect.

10501

CSO: 2400/96

AGRICULTURAL SITUATION FOR 1983 SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 11 Nov 83 p 2

[Commentary by Zdenek Hoffmann, deputy department head of the CPCZ Central Committee: "Agriculture"]

[Text] As shown by the preliminary balance sheets regarding our agriculture, this year will end on the whole favorably, even under its complex conditions. The expected volume of plant production--in spite of a letdown in the harvest of row and silage crops--is going to match last year's good level, based mainly on the increased production of cereals and oil plants. Positive progress in animal production has also been achieved. It is possible to say even today that after the less favorable year of 1982 we have managed to renew the dynamics of animal production development, being ready not only to fulfill, but also to surpass the plan of gross and market production in all principal indicators.

In the past three trimesters agriculturists delivered beyond the time schedule of state purchase 38,000 tons of abattoir animals and 348 million liters of milk, which represents surpassing the plan by 3.5 percent and 8.6 percent, respectively. Also the deliveries of eggs and fattened fowl were considerably higher. Compared with the same period of last year, the market output of all animal products, especially of milk and meat, was higher, too. Yet there is a realistic presumption that the purchase will be further surpassed by the end of this year.

It is a positive feature that these results are being achieved by intensifying the production to start with, that is, by elevating the usability and by better indicators in the reproduction process. In the present stage this applies mainly to the priority section of animal production--that of cattle raising. Compared with the same period of 1982, in the 9 months of this year the socialist sector achieved a higher milk yield per cow, amounting to 2612 liters (it was 2365 last year), and the daily weight increase of cattle during fattening increased from 0.64 to 0.70 kg, that is, almost by 10 percent. There was also an increment of hogs in the fattening stations, a raise in the number of eggs laid per hen, as well as in the production of piglets per sow, and in the number of calves raised per 100 cows.

Of no lesser importance--especially from the aspect of the whole society, and regarding the basic strategic aim of agriculture, i.e., that of increasing our self-sufficiency in food production--is the fact that the intensification has been achieved mainly by developing and utilizing our own fodder base, following the orientation of the Fourth Plenum of the CPCZ Central Committee. The evidence for the above is first of all the circumstance that, compared with the previous year, the achieved higher degree of utilization did not cause any increase in the consumption of grain fodder. This is characteristic especially for cattle, where the increment of the degree of usability is most pronounced. Of great importance, particularly in the first half of the year (which is, according to long-standing experience, always decisive for the overall annual development in this field), was a good safeguarding of coarse fodder, especially of high-quality silage corn. In this way it has been fully confirmed that it is right to solve the cereal problem also by the growing of fodder plants.

However, in spite of the overall favorable development, there have remained unutilized resources in animal production this year, too. First of all, the not fully justified big differences in the results of single agricultural enterprises and entire districts keep persisting. For instance, of the expected annual milk yield of 3,400 liters in the whole country, some districts achieve only 2,800. There is a similar situation in cattle increments, and hog increments in fattening stations also differ considerably, given a basically equal supply of fodder mixtures. The same applies to the consumption of grain fodder. The development of the reproduction process has also its negative sides. So far, we have not yet managed to direct it in such a way that the breeding of replaceable animals (especially hogs) would correspond to their actual need. Together with the desirable transition to a higher abattoir substance, by which the need of piglets is absolutely reduced, the mentioned circumstance leads to a surplus in the number of hogs in fattening stations for which there is no fodder in the balance.

Basically, the state of affairs is favorable in all sections of animal production, consequently also in supplying the market with animal products. The same condition is presumed to persist also in the first half of 1984. That is why agricultural enterprises and all units of agricultural management have to pay incessant attention to the development of animal production. First of all, in the coming winter months it is necessary to strive for maintaining its present dynamic development in desired directions.

The basic task, of course, remains fodder base husbandry, involving both grain and coarse fodder. As for grain fodder, even considering the good cereal crop of this year, a full coverage of the balance need required an exceptional measure for strengthening agricultural resources from central funds. Compared with the fattening periods of 1982-83, there is less preserved fodder available for agricultural enterprises and, which is more serious, also of lower quality (except for hay). This applies particularly to silage corn, but, due to a small harvest of sugar beets, also to sugar beet cuts and sugar works beet cuttings. For all practical purposes this means that the energy component in cattle fodder rations will be less secured. It has been proved that this year the cited component very positively affected the development of usability.



The situation is further complicated by great inter-regional differences in supplying coarse fodder, which, unlike those in grain fodder, cannot be compensated by transfers. The most seriously affected regions--from the aspect of animal production--are those of the highest productivity, that is the South Moravian, West Slovak and East Bohemian regions.

It should be appreciated that agricultural enterprises are endeavoring to solve this situation. They have extended the period of grazing and feeding green fodder wherever possible. To an even greater extent than in past years, they are making preparations for the technological modification of straw for feeding, as well as for mixing and homogenization of fodder. The ministries of agriculture count on them--as far as possible--to help solve the problem of coarse fodder, using central funds to support the regions most afflicted by drought, especially by supplying them with higher rations of molasses. What is important, of course, is to manage coarse fodder according to the plan, to elevate the level of the feeding technique and that of the entire direction of cattle feeding. In addition to the district feeding direction centers, help is expected also from experts of the research and development base. This task is to be considered their contribution to the conclusions of the Eighth Plenum of the CPCZ Central Committee on applications of the research and development findings in everyday performance.

A stricter regimen, valid since last year, has to be maintained at all times in managing grain fodder. One of its inseparable parts is a consistent regulation of the number of agricultural animals, especially that of hogs and fowl, so that it does not surpass the level required for securing the planned tasks of animal production. In this connection, it is necessary to limit, or even cancel, breedings which are less efficient from the aspect of the entire society, or which display an above-average consumption of fodder.

The regulation of the number of agricultural animals does not indicate a lack of interest in surpassing the plan of animal production. To be sure, it can be done under the prerequisite that an increase in production would not result in agricultural enterprises claiming more fodder from central funds. They should use their own resources and savings for such undertakings. As for fattened fowl, it should be based also on real demands of the domestic market.

An urgent task of agricultural enterprises is to make responsible preparations for the winter period. By no means can they rely on the assumption that there will be a mild winter again. Therefore, it is necessary to care for the warming up of stables, to organize the supply and manipulation of fodder in stables, so that no frozen silage is fed, etc. Also, it is necessary to intensify nursing care, particularly for young animals, whose losses regularly increase during the winter months.

9910  
CSO: 2400/95

## STRICTER CONTROLS OF AGRICULTURAL LAND RESOURCES URGED

Prague KONTROLA in Czech No 10, 1983 pp 12-15

Article by Eng Karel Prochazka, CSR Committee of People's Control: "For Stricter Management of Agricultural Land"

Text The area of agricultural land in the CSR decreased by 69,189 ha hectares during the Sixth 5-Year Plan. Its conversion into forest land and other types of land accounted for 64 percent of this decrease. Another 31 percent of the decrease, or 21,319 ha, were lost to the seizure of agricultural land for capital construction.

The CPCZ Central Committee and particularly its fourth plenary session in 1981 dealing with the tasks of agriculture and food therefore devised a uniform procedure for achieving better and permanent care of the entire society in the protection and utilization of all land resources.

Gradually, measures have been adopted designed to exert stricter controls over the disposition of land together with more effective measures for the protection of the best agricultural land subject to special protection. Many of these measures aim also at reducing the losses of agricultural land to capital construction, including the expansion of the power sector and mining operations. Measures have also been approved for increasing the pace and quality of soil improvement on the temporarily untilled and nonagricultural soils.

The positive effect of these stricter measures is obvious already today and begins to be actively reflected primarily in the smaller losses of agricultural and arable land. Changes in the use of the land can be documented by the summary of increases (+) and decreases (-) since 1976.

<u>Year</u>	<u>Agricultural land</u>	<u>Arable land</u>
1976	- 7,729	+ 6,821
1977	- 7,812	+ 3,339
1978	- 16,346	- 9,953
1979	- 18,191	- 10,593
1980	- 19,111	- 12,564
1981	- 4,511	- 1,448
1982	- 3,749	- 3,031



The CSSR government adopted additional measures listed in resolution No 292 of October 1981 and the CSR government did likewise in its resolution No 28/1982. Both these resolutions on the protection of agricultural land resources [ZPF] are qualitatively the most important measures on the protection of land which have been issued since the amendment to the 1976 law on protection of land resources. In particular, they established stricter criteria for the disposition of specially protected land, when the CSR government alone can decide on the seizure of an area exceeding 1 ha. Furthermore, they ordered substitute recultivation of nonagricultural or temporarily untilled land. This recultivation is financed by the investors themselves out of their own funds, if the land is seized for capital construction. A more demanding procedure was devised for the decision on conversion of agricultural land into forest land or nonagricultural cultures. Communities as well as nonagricultural production plants have been ordered to take inventory also of small agricultural plots. Among additional tasks set is the revaluation of territorial planning documentation.

By CSR government resolution No 28/1982, adopted to implement the tasks resulting from CSSR government resolution No 292 of October 1981 on the results of the review of management of agricultural land resources and on the stricter procedure in deciding on the protection and amelioration of agricultural land, the CSR Committee of People's Control [VLK] was instructed to check, through the organs of VLK of national committees, during the first half of 1983 on the implementation of tasks along the entire line of management of ministries in question. The review was carried out in all krajs and okreses in effective cooperation with the Office of the CSR General Prosecutor. The checks covered 7 departments of water and forest management [OVLHZ] of KNV's [kraj national committees], 70 OVLHZ of ONV's [okres national committees], 7 kraj agricultural administrations [KZS], 62 okres agricultural administrations [OZS] and 65 agricultural enterprises. VLK's reviewed also the activity of the CSR Ministry of Agriculture and Food, and of the CSR Ministry of Development and Technology in implementing the tasks resulting from the above-mentioned CSR government resolution.

It was found already at the start of the review that the observance of discipline in assigning tasks to the lower levels of management and decision-making affects excessively the final results in the implementation of assigned tasks. Taking into consideration that this factor was in many krajs and in the implementation of many tasks of the Ministry of Agriculture and Food of decisive importance, more attention will have to be paid by management to the assigning and implementation of tasks. The manner of detailing the tasks assigned by the government is spelled out in CSR government resolution No 17 of 14 January 1976. The detailing of tasks should be made at all levels on time, in all necessary contexts and in such a manner as to make it clear to all participants that by fulfilling their partial duties they contribute to the fulfillment of the task set by the government. In detailing the tasks a superficial, inconsistent and purely formal approach cannot be tolerated. In particular, we cannot tolerate a mechanical delegation of tasks to the lower levels of management. In detailing the government resolution, these criteria were not observed by the CSR Ministry of Agriculture and Food [MZVZ], but with the exception of the North Moravia kraj by none of the KNV's either. In the

South Moravia kraj it in fact happened that, following the review, the government resolution, 1 year after it had been passed, had to be discussed, with more details filled in, in the KNV council.

The CSR MZVz failed to define with more precision the tasks set by the government in those instances when agricultural land is transferred to non-agricultural soil cultures, to forest land or other cultures. The minister of ZVz guideline mechanically took over the text from the government resolution and this "detailing" resulted in a lack of uniformity in all krajs and even noncompliance with the procedure devised by the government. Likewise, the CSR MZVz guidelines on substitute recultivation in capital construction were not properly worked out. They did not precisely clarify the question of in what instances substitute recultivation will be or will not be ordered (as, for example, in the construction of one-family houses). Moreover, this CSR MZVz methodology was published 11 months after the government had passed the resolution. This delayed action of the CSR Ministry of Agriculture and Food caused a varying approach to the decisionmaking in the okreses and krajs.

Likewise, part B of the annex to the government resolution which delimited and defined the tasks in systematic control of tasks listed in annex A (28 tasks) was detailed and worked out in one kraj only. These facts demonstrate that considerable, sometimes even fundamental shortcomings exist already in the initial stage of procedure, in the formulation and complete and precise description of tasks.

The review likewise revealed that the CSR MZVz had already issued a large number of internal normative instructions on management of agricultural land resources. A total of 50 of these instructions have been issued since 1976, since the amendment to law No 124/1976 of SBIRKA on the protection of agricultural land resources. Their reexamination has disclosed that, although many of them are out-of-date both materially and as to the content, none of these CSR MZVz instructions were rescinded and all are still in effect. The implementation of tasks according to these instructions, however, no longer meets the present stricter criteria, and the observance of these instructions will be inadequate for accomplishing the goals set for land management now.

After investigating the situation in 72 okreses and 7 KNV's, the organs in charge of protection of agricultural land resources--the NV National committee departments of water and forest management and agriculture--made decisionmaking activity dependent on the application of stricter measures resulting from the above-mentioned government resolution. The review of decisions has revealed that (with a few exceptions) the principle was observed that only the CSR government can authorize the seizure of specially protected land with an area exceeding 1 ha. The decisions began to include also the duty to carry out substitute recultivation in case of seizure of land for capital construction. In checking on the decisions made by the agencies in charge of land protection in 1982, the review program called for examination of correctness of decisionmaking also in those directions which had not been controlled by the CSR VLK in the past. For example, checks were made on the correctness of decisions on determining the levies upon permanent exemption of land from agricultural production. The amount of levies was wrongly

determined in 40 percent of ONV's surveyed. This was caused primarily by inconsistency in required documentation, but also by errors in calculation. The principal shortcoming in this area, however, again is inadequate independent checks on determining these in many instances and frequently too high amounts.

Many ONV decisions were not correct primarily because some documents which are important for making a correct decision were not available. Decisions were made in nine okreses without proper data on the lots involved (indicating whether it was specially protected land, land in the built-up section of communities or outside this area, data on the quality of the land, and so on), in other words, without proper knowledge of the land in question. In the Semily okres, for example, the land records were missing in 10 percent of decisions. Or, for example, the VLK ONV of Greater Brno justly asked, in the process of checking on the decisions made by the ONV, the geodetic center for the respective land records which should have been the basis of the ONV decisions in the first place. Further investigation revealed that such incorrect decisions resulted in the failure to impose levies upon permanent exemption of agricultural land from agricultural production in the total amount of Kcs 452,800. This levy was imposed on the ONV retroactively after the check was completed.

Shortcomings in ONV and KNV decisionmaking activity were discovered also in conversions of agricultural land into forest land. Already when the basic physical inventory of agricultural land was taken 3-4 years ago, agricultural enterprises in krajs and okreses proposed to convert more than 12,000 ha of agricultural into forest land. This reclassification, however, was never completed and as a result there are more than 5,000 ha of land which are not effectively economically utilized at the present time. Moreover, no definite decision has as yet been made as to how 2,000 ha should be classified. These shortcomings were discovered in 41 okreses and the correct procedure for reclassification was circumvented, as was found, in 8 different ways. No decision has as yet been made on land with an area of 100 ha, and consequently the land is not properly used in the Gottwaldov, Sumperk, Pribram, Svitavy, Jicin and other okreses. Because of the occurrence of these irregularities over a large area and their high number, a review was made in this context also of the methodological and supervisory activity of the CSR MZVz and CSR Ministry of Forestry and Water Management, and also of cooperation with the Czech Geodetic and Cartographic Office CUGK in the registration of changes in soil cultures.

In accordance with CSR government resolution No 28/1982, the KNV councils and all ministries which administer and use land were instructed to take inventory of small and dispersed lots within the communities and industrial plants and to make sure that this land is used for agricultural production. The checks have revealed that this was done in 70 percent of okreses only. In the remaining okreses and particularly in the communities this assignment was not carried out because neither the KNV nor ONV followed it up.

In those okreses and communities, on the other hand, where the supervisory KNV made proper preparation and the ONV councils discussed the project with

reference to the local conditions, very good results were achieved in uncovering, but primarily in including the lots untilled so far in agricultural production.

For example, in the Strakonice okres, the agency in charge of protection of agricultural land resources in cooperation with the geodetic center ordered a list of small and uncultivated lots in the communities and industrial plants in the okres compiled on the basis of the extracts which it made from the land registrar, and it made also a list of all lots of agricultural land used by the national committees and organizations (industrial plants and workshops). Actual inspections on the spot were carried out in all communities on the basis of detailed land records. The inventory thus taken resulted in the discovery of 335.47 ha of agricultural land unused so far. Of this area 314.47 ha are already tilled and used.

In the Pelhrimov okres 437.70 ha of unused agricultural land were found. Of this area 213.86 ha of agricultural land are already being tilled.

In comparison with these positive results, there are instances in which no inventory was taken in 1982 as, for example, at MNV municipal national committee Nymburk or at the adjoining MNV Hradcany, Piskova Lhota and Kostelni Lhota.

The inspection has also revealed in all okreses a significant number and extent of discrepancies between the land records and situation on the spot. This has been confirmed by the summary of inspection for the use of ZPF which was prepared by the CUGK.

These inspections in 1982 revealed that in 57,184 instances involving 290 socialist agricultural organizations the land was used in a different way than that indicated in the official records. A similar number of discrepancies discovered already in 1981 were resolved only in 43 percent of instances as of 1 January 1982. These irregularities were both in favor and to the detriment of agricultural land. The checks in the CSR by CUGK in 1981 and 1982 revealed that 22,880 ha of land registered in the land records as being used for other cultures were actually used as arable land. On the other hand, however, it was found that 30,642 ha of land registered as arable land were used in a different way, while 17,611 ha of land registered as agricultural land were not used as such. This situation makes it clear that a number of agricultural enterprises still do not keep basic records on land and do not take regular physical inventory of agricultural land. For example, the discrepancy between the land records and the situation as found by the inspection on the spot amounted to 579.88 ha in nine agricultural production plants (48 percent of the okres territory) in the Pribram okres during the 1981-1982 period. This was a discrepancy found by the geodetic agency after the basic physical inventory had been taken.

In these checks, the local representatives of the prosecutor's office also cooperated with the organs of people's control committees. Following these checks and evaluation of decisions made in 1982, it was found that the agencies in charge of land protection imposed a total of 205 fines on the

organizations. The fines were imposed for unjustified seizures of land, non-implementation of measures ordered in the decisions, such as inadequate covering of the mold, failure to comply with the deadlines set for the temporary seizure of land and so on. No fines were imposed in some okreses; very few sanctions were applied, for example, in the North Moravia kraj. Fines are not often imposed even in those instances when the law on the protection of agricultural land resources is demonstrably violated. The ONV Liberec, for example, did not impose any fine in the course of 1982 on the organization which failed to restore temporarily seized agricultural land to its original condition. This involved six instances where the legal prerequisites existed for imposing a fine.

In addition to the shortcomings discovered by the previous VLK checks, the above-mentioned government resolution instructed the organs in charge of the protection of agricultural land resources to intensify control by applying consistently stricter principles of protection, by more effective utilization of agricultural land resources and by purposeful implementation of specific measures and tasks assigned by the government for elimination of the existing negative phenomena.

The CSR MZVz has established an interministerial control group consisting of the representatives of the CSR MZVz, CSR Ministry of Forestry and Water Management, CUGK and other professional institutions. This control group started its concrete control activity in the first half of 1982, and examined the management of land resources, including the implementation of CSR government resolution No 28/1982 in the North Bohemia kraj, in the second half of 1982. This check again revealed a number of shortcomings in controls exercised by ONV's and KNV's, and found also discrepancies between the real estate records and actual situation. These checks resulted in the enactment of specific corrective measures which were discussed and adopted by the KNV OVLHZ's. During the first half of 1982, serious shortcomings were discovered by the interministerial control group in the Rychnov nad Kneznou okres in issuing the permits for building of cottages for recreation and for establishing new communities of small vegetable garden owners.

Systematic controls over land management were not intensified on the KNV and ONV levels and the present situation constitutes the weakest link in the protection of agricultural land resources. This can be documented by a number of examples from okreses.

In the Jicin okres, for example, the failure to carry out controls was explained away by the fact that no check had been anticipated in the Vc KNV council resolution. In detailing the tasks from the government resolution, to the subject of controls the note "not ensured" was added and the ONV council approved it. The subsequent check resulted in the addition of an explanatory note that OVLHZ's did not have enough personnel to do so. In Prerov, although the task had been properly detailed and a control group (consisting of activists) had been set up, it was found that controls were inadequate. The workers in charge explained that "it was beyond the department personnel power to exercise control in the required scope." In the Melnik okres, no action was included in the plan of controls and no checks were made on the



implementation of their own decisions. At Hodonin, the responsible workers explained the failure to make checks by the fact that one person in charge of ZPF protection in the okres was not able to check on compliance with the decisions, almost 1000 of which were being issued every year.

To consistently eliminate the above shortcomings, the ONV's and KNV's adopted a number of corrective measures, and the results of the review were discussed in the councils as well as in the committee of people's control. The CSR Minister of Agriculture and Food approved a set of measures designed to correct the existing shortcomings which:

1. specifies the manner in which the definite line between agricultural and forest land should be drawn, and defines also the scope of cooperation with the CSR Ministry of Forestry and Water Management and CUGK to ensure a uniform procedure for reclassification of agricultural and forest land resources;
2. defines the joint action of the CSR MZVz and CUGK to prevent further increase in serious discrepancies between the real estate records and actual state of agricultural land. At the same time, both ministries must see to it that, beginning in 1984, in connection with the periodical examination of real estate records every 5 years, agricultural enterprises must take a complete physical inventory of land;
3. instructs the CSR MZVz Department of Agricultural Production to define with more precision, for the needs of decisionmaking, the manner in which the completed substitute recultivations are to be inspected and approved, and also to specify the procedure for ordering substitute recultivations upon converting agricultural land into nonagricultural cultures;
4. orders the elimination of shortcomings and defects in the calculation of levies and keeping uniform records of decisions made by ONV's and KNV's.

Additional shortcomings discovered by the checks were discussed at a special conference of the deputy minister with all KNV's. In 1984 all measures enacted for protection of agricultural land resources will be revised, obsolete regulations will be rescinded and the measures now in effect will be published for common use by all ministries. At the present time, preparations are being made for the issuance of measures which will broaden the control and audit functions of the agencies in charge of the protection of agricultural land resources.

Attention will gradually be focused not only on the quantitative changes in the respective areas, but also on the qualitative control including the removal of causes of devaluation of agricultural soils, on the inspection and control of observance of conditions specified in the decisions of national committees and control of causes of temporarily untillied soils. These problems also indicate additional directions of systematic controls of management of land resources which have been carried out since 1976 in connection with the long-term task with which the VLK organs have been charged by the CPCZ Central Committee.

SUPPLYING PUBLIC WITH VEGETABLES, FRUIT PLAGUED BY PROBLEMS

Prague TRIBUNA in Czech No 44, 1983 pp 16, 17

[Article by Tomas Smetana: "Which Way Out of the Closed Circle?"; passages in slantlines printed in boldface]

[Text] It is generally known and conceded that consumption of fruit and vegetables, be it in fresh or processed form, occupies a significant position in providing effective nutrition for the populace as well as in optimizing the structure of foodstuffs in the interest of healthy development of man. For that reason we are not satisfied with either the amount, assortment and quality, or balanced distribution in the course of the year. And this is occurring despite the efforts and systematic attention devoted to this important sector by even the highest political and economic organs.

A distance of 6 years from the approved concept for development of production, procurement and distribution of fruit and vegetables in the Sixth 5-Year Plan and in long-term projection till 1990 permits a certain amount of assessment. In what aspects its objectives are met and where the attained results still do not match the expended efforts.

How Is the Developmental Concept Being Met

Significant advances were made in the course of the Sixth 5-Year Plan and in the first 2 years of the Seventh 5-Year Plan, particularly in developing the production base and in providing logistical support for fruit and vegetable farming. Success was achieved in mass-production methods for growing certain types of fruit and vegetables as well as in expanding and deepening specialization and concentration of fruit and vegetables production. Expansion occurred in glass- and foil-covered areas for production of early ripening vegetables and, primarily, for production of early seedlings for field vegetables. Many centers were established for postharvest processing and storage of fruit and vegetables. Some positive results were also obtained in meeting the needs of production, in improving the quality and assortment of the distributed biological material, in cultivation and production of seeds, seedlings and nursery materials, in processing, storing and marketing of available biological materials. To a greater extent than ever before, it became possible to gain the

interest of small growers and at least partially improve the situation in providing logistics for this hobby-type activity of benefit to society.

Important advances were also made in mutual cooperation between producers and customers. /Refrigeration plants, canneries and to some extent, the produce trade dealing in fruit and vegetables are coming to realize even more that their own production and economic growth as well as their social mission depend to a considerable extent on providing for development of a high-quality raw material basis in agricultural primary production/. It would be possible to cite a series of examples from the refrigeration and canning industries as well as trade organizations where cooperation with agricultural production was improved by means of contracts of an integrational nature which establish long-term supply and demand relations of higher quality and to the mutual benefit of both participating partners.

On the other hand, many conceptual goals were only partially met in the past several years. First of all, little success was achieved in meeting the conceptual goals in increased production for the market, in quantitative and qualitative meeting of the consumer demand from domestic resources and, consequently, in substantially curbing imports of fruit and vegetables of the temperate zone from abroad. Little success is also being encountered in full utilization of domestic production. It is particularly in bumper-crop years, more so than in other years, when there come to the fore chronic shortages originating in inflexible management of circulation, in poor coordination among organizations participating in production, procurement, processing and marketing of fruit and vegetables as well as in technological and capacity imbalances between individual elements of the process of economic renewal/. Mainly the capacities of the processing industry, but also the capacities of postharvest and market processing, shoring and transportation were responsible for making it possible to make efficient use of rich raw material resources and generate stockpiles, primarily of canned products, for future less fertile years.

It is quite routine for simultaneous excesses and shortages of identical types of fruit and vegetables to occur on the market in various localities of individual regions of the country. This often leads to depreciation of what has been produced and procurement of raw materials in excess of the amounts stipulated by contract is lower. Lack of uniformity in channeling of consumer demand, poor coordination of all procurement organizations, often also inflexible price policies and the constantly lagging level of logistical supplies for production sap the interest of agricultural enterprises and small growers in stabilizing or, eventually, expanding production of fruit and vegetables.

#### Splintering of Jurisdiction and Responsibility

Production, procurement, processing and marketing of fruit and vegetables is participated in by many organizations, and a larger number of customers and suppliers incorporated under the jurisdiction of several ministries. In the Ministry of Agriculture and Food they are agricultural enterprises specializing in fruit and vegetable growing, their cooperative associations and joint enterprises, further processing enterprises (canneries and refrigeration plants) and specialized, centrally controlled biological and technical services.



In the Domestic Trade Ministry, it is the Fruit and Vegetable Trade Department which is the major part participant in procurement of fruit and vegetables and is consequently, to a certain extent, the key coordinator of the entire procurement system. It also markets the prevalent part of the procured fruit and vegetables through its own retail network. Some fruit and vegetables production is bought by processing enterprises, canneries and refrigeration plants directly from primary agricultural producers.

Procurement of fruit and vegetables, particularly from small growers, is done by organizations of the Association of Consumer Cooperatives which also market some of them through their own retail network. A significant share in procurement of fruit and vegetables from small growers is also played by their fiduciary organization, the Gardeners' Association. Production of early ripening vegetables and of biological material is also participated in by some specialized communal enterprises controlled by the relevant national committees. Export and import of fruit and vegetables is participated in by enterprises of the foreign trade department and by specialized cooperative organizations.

The mentioned specific features of the fruit and vegetables sector as well as the existing organizational and management structure of production, procurement, processing and marketing of fruit and vegetables place much higher demands on proportional development, uniform channeling of efforts, coordination and operational management throughout the vertical structure of fruit and vegetable production.

/Neither the establishment in both republics of the Association for Development of Fruit and Vegetable Growing, freely associating the corresponding interested organizations, nor delineation and expansion of the centralized management responsibility of the Semptra VHJ [economic production unit] in this respect meets the specified objectives and has not brought about any basic turnabout in more effectively linking the interests of production, processing, marketing and consumption and does not affect in any significant manner the proportional development in vertical expansion of fruit and vegetable produce/. Shortcomings in the system of procurement, interregional transfers, continuous supply of the market and in meeting of logistical needs still persist.

The mentioned associations have only limited possibilities for an economic effect on the development and orientation of specialized production from the viewpoint of final consumption of fruit and vegetables, because they themselves do not handle procurement, processing and marketing, nor are they direct participants in supply/demand relations. Only to a limited extent are they able to affect procurement and marketing, foreign trade and some input organizations outside the sphere of agriculture and food. The dealings of the associations' member organizations are rather of an informative nature and adopted resolutions or agreed upon measures are not binding.

In addition, there is at the present a certain amount of overlap of jurisdictions between the Semptra VHJ entrusted with centralized coordination and the Fruit and Vegetable Trade trust of enterprises which, as the main procurement organization, is to coordinate in accordance with Decree No 123/76 of the FMZVz [Federal Ministry of Agriculture and Food] the activities of other

procurement organizations for fruit and vegetables, monitor meeting of the plan in the course of the year and discuss with other procurement organizations measures designed to meet the plan.

#### Would Consolidation Help?

The entire situation in production, distribution and consumption of fruit and vegetables as well as the inadequate effectiveness of adopted measures shows that systematic implementation of the Concept for Development of Fruit and Vegetable Growing, together with a more effective coordination of the individual interested services, is impossible without a basic restructuring of the organizational and management structure in the vertical structure of fruit and vegetable production. /There appears to be an indispensable need for creating a new type of organization which would encompass all of the most important economic renewal stages in the vertical structure of fruit and vegetable production and include within it for that purpose the key components of inputs, procurement, processing and implementation of final production/.

This new productive economic organization is an independent legal entity, endowed with the requisite jurisdiction and responsibility, would provide for key material inputs, be responsible for overall procurement, processing and marketing of fruit and vegetables and have at its disposal the indispensable economic prerequisites for channeling and promoting supply/demand relations with specialized agricultural production in close cooperation with the Association of Consumer Cooperatives, the Gardeners' Association and other interested organizations. It would also have a decisive effect on the conduct of foreign trade and on harmonizing domestic production with imports and exports.

In view of the complexity and organizational variety of the vertical structure in fruit and vegetable production, we are of the opinion that their organizational restructuring should take place gradually, in stages, so that the connecting links in the vertical structure of production can be organizationally mastered, harmonized and stabilized to the maximum without even temporary interruption in supplying consumers with fruit and vegetables.

In the first stage, this would involve creating the core of the new organization by transferring the Fruit and Vegetable Trade VHJ under the jurisdiction of the CSR and SSR ministries of agriculture and food and connecting them with the Sempra VHJ (Semex VHJ). The newly established organizations would provide for key material inputs and be responsible for overall procurement and marketing for fruit and vegetables.

This organizational solution would facilitate uniform coordination of the economic renewal process in fruit and vegetables from the viewpoint of final production and consumption. Channeling of specialized agricultural production and of other elements of the economic renewal process by the finalizing organizations belongs among the key elements of the improved system of planned management in the agroindustrial complex.

## Key Tasks of the New Organization

In the process of plan preparation and compilation, the new productive economic organization would also delineate long-term periods for development of supply/demand relations of an integrational character as regards other customers.

/It would create conditions for preservation and continuous expansion of bilateral contractual relations between specialized agricultural production, trade, canneries and refrigeration plants to bring into harmony the needs of trade with those of the processing industry and to coordinate domestic fruit and vegetable production with foreign trade/, primarily with imports. This would also provide for coordination of investment resources in the spheres of interest in the vertical structure of fruit and vegetable production.

The new organization could provide the potential for a fuller development of viable trends. The kind of trends which Sepra (Semex) VHJ is striving to promote is a very difficult situation, without the requisite jurisdictions and economic linkages applying only to deliveries of genetic materials and some material and technological needs. With the use of the cadres of specialists in today's Sempra (Semex) VHJ and the Fruit and Vegetable Trade branch economic enterprise the new VHJ could develop a solid consulting and servicing service directly connected with its own scientific research base that would be capable of transferring scientific research findings into the entire vertical structure of fruit and vegetable production.

Regional enterprises of the new VHJ, which would originate on the basis of today's regional enterprises of Fruit and Vegetable Trade and regional facilities of the Sempra (Semex) VHJ, would coordinate the activities of all organizations participating in production, processing and marketing of fruit and vegetables as well as those of organizations which meet the logistical needs of fruit and vegetable production within their region.

They would provide for development of specialized fruit and vegetable production primarily by means of long-term contractual relations of an integrational character. At the same time, they would provide for meeting of tasks in generation of biological resources, procurement, marketing, in meeting the logistical needs of socialist agricultural enterprises as well as those of small growers in the sphere of gardening. Under such circumstances, it would be possible for regional agricultural administrations to effectively and efficiently affect through the regional enterprises of the new VHJ both the development of specialized production of fruit and vegetables and their procurement, processing and marketing.

/The proposed organizational solution would not create the risk of a temporary deterioration in the current level of fruit and vegetable supply, because it would take over the specialized facilities as well as the requisite logistical background of the Fruit and Vegetable Trade branch enterprise/. This applies also to imports which would be implemented to the extent of importation resources released for that purpose.

Implementation of the decisive extent of supply/demand relations within the jurisdiction of a single sector would create the prerequisites for the next

stage or restructuring, for organic connection with the processing industry in the area of fruit, vegetables and, eventually, potatoes. Effective coordination of all links of the economic renewal process would make it possible to gradually overcome many of the persisting difficulties and shortages that occur in production, procurement, processing and marketing of fruit and vegetables.

It also appears that an important prerequisite for attaining truly effective coordination is effective restructuring of the organizational and managerial verticle structure of fruit and vegetable production.

8204

CSO: 2400/77

## INCREASING EMPHASIS ON ENVIRONMENTAL PROTECTION, CONSERVATION

### Improving Air Quality

Bonn IWE WIRTSCHAFTSDIENST in German No 39, 17 Nov 83 p 3

[Unsigned article]

[Text] The dying of the forests is causing ever greater worry also in the GDR. Thus, for instance, public offices and local newspapers are of late to an ever increasing extent being confronted with critical inquiries. Many GDR citizens want to know what concrete measures against the dying of the forests and for improving the air have been initiated. It is above all in the particularly damaged areas, such as the Erzgebirge Ore Mountains that the GDR citizens are pressing for effective environmental protection measures. Whereas formerly the environmental problems had been scarcely dealt with by the media, published items concerning this subject are appearing more frequently of late.

The party's own paper FREIE PRESSE just recently reported that the Karl-Marx-Stadt Bezirk meeting had at its most recent session passed a resolution concerning a reduction of environmental pollution and the forest damage in the Erzgebirge. According to the paper, this among other things includes costly coal desulfuration projects. They are to become effective jointly with those measures which had on the government level been agreed upon with Czechoslovakia. The objective of these long-range measures is "gradually to improve hygienic air conditions" by 1990.

Beyond this, the work for "adapting" the forests to the environmental conditions is being intensified. This primarily involves fertilization of damaged woods and reforestation of dead areas by replacement with types of trees which are more resistant to smoke. According to statements made by chief master forester Guenther Teubner, in Karl-Marx-Stadt Bezirk alone there in the course of this year 590 hectares reforested with more resistant tree types, primarily with Blue and Omorika Spruce, as well as larch, Scotch pine, and deciduous tree types. In 1984, an additional 740 hectares are to be afforested with tree types which are more resistant to smoke. Approximately 45 percent of the plants which the tree nurseries in Karl-Marx-Stadt Bezirk will deliver next year are such more resistant types. In accordance with the Bezirk council's decree, the afforestation of the damaged areas is to be carried out particularly with domestic deciduous tree categories.

## Halle Forest Conservation Program

Bonn IWE WIRTSCHAFTSDIENST in German No 39, 17 Nov 83 pp 3-4

[Unsigned article]

[Text] Effective a short time ago, all wooded growth having a height of 1 meter or higher is officially protected in the GDR Bezirk city of Halle. As early as in 1974, all trees had already been placed under strict protection. Without express authorization from the local council, no enterprise nor citizen may avail himself of such forest items. In taking such strict protective measures, the city fathers were guided by the fact that there are in this industrial city only 0.0067 hectares of forest per inhabitant. This is far less than the GDR average. In addition to these protective measures for trees and wooded growth, Halle is therefore also realizing an extensive "greening program." Ten thousand new trees and six times as many new shrubs are being planted in the interior of the city each year. In addition, small forests are coming into being around the Bezirk city.

## Saving an Ailing River

Leipzig LEIPZIGHER VOLKSZEITUNG in German 8-9 Oct 83 p 10

[Article signed by Manfred Schulze]

[Text] Those who have at one time or another seen it or even had to put up with its stench day after day have not infrequently referred to the river as being a "cesspool." And they were justified in doing so, for with the construction of the chemical enterprises in Espenhain and Boehlen since the early 1940s, enormous quantities of phenolic compounds, coal particles, and other byproducts have been flowing down the Pleisse river. At the time, the Nazis had more important things to do than erecting filter installations next to their oil refineries.

After in past years a biological drainage system had already been built in the Boehlen chemical plant, (there now exists there a second phase which is intended to reduce the effluent further), the VEB [state-owned] Espenhain brown coal refinery began in the middle of August with initiating trial operations in the first phase of an even bigger installation of this type as part of the Saale, Elster and Pleisse river restoration concept.

The dimensions of the new filtration installation are impressive. It is a small chemical plant by itself. Here, 1,300 cubic meters of waste water can be purified each hour, which is adequate for taking up the entire volume of the large-scale Espenhain enterprise and of the VEB Plasta.

The jet-black effluent water, pungently smelling of phenol, first flows into the two preliminary filtration basins, each of which is 50 meters long and 10 meters wide. Suspended matter which is heavier than water sinks to the bottom, and lighter substances, such as oil residue, float on the surface.



The preliminary filtration is followed by the intensive phase, which is the real core of the installation. All chemicals necessary for the process are added already in the pipe-line system. On the one hand, chemical reactions with certain substance are thereby produced directly in the effluent. These flocculate and form a deposit. On the other hand, calcium and such aggressive substances as ferric chloride, soda-lye, and sulfuric acid, are indispensable for the microorganisms which in the tank reactor literally devour the pollutant substances still remaining in the waste water.

These microorganisms, which are so important for the clarifying process, react to even slightly improper doses and to conditions brought about by such processes, such as pH content. Nor must the added chemicals be so rich that they themselves can not be broken up completely and get away from the installation. Responsibility for the application of the doses rests with the laboratory, where tests are being continually conducted of samples of the outflow and at various stages of the process. On the basis of the content values and under the control center's direction, the chemical station prepares the proper dilutions and mixtures to be added to the effluent.

The four tank reactors, each of which is built for accomodating 3,200 cubic meters of effluent, microbes, and chemical mixtures, are a new development. With up to four pumps oxygen is continually blown into the closed containers via a pressurized injector. Oxygen is the elixir of life for the poison-devouring bacteria. With the thus utilized technology, the time required up to the point of the breaking up of the waste products can be shortened by several hours as compared to that required by the hitherto customary open restoration basins.

That which then, after a transit time of 48 hours, leaves the biological waste water purification installation is far from being of drinking-water quality, not even from a purely optical point of view. But "we are getting 60 to 70 percent of the organic pollutant load, and it will be 95 percent after the second expansion phase has been completed," according to the director of the filtration plant, Joachim Reinholdt. Whereas filtration of the remainder is theoretically possible, this would require an unjustifiable expenditure.

Of the above-mentioned second phase, one can at the present time already see the gigantic excavation for a water restoration basin in which as of approximately 1986 other microbe strains will attack the hitherto untouchable pollutants.

What will be the effect on the Pleisse river of this, our Bezirk's biggest environmental protection project amounting to almost 100 million marks ( of which 69 million marks were allotted for the now completed sector)? Up to now, 65 percent of the pollutants in this river have come from the Espenhain VEB brown coal purification plant. Now, with the elimination of a considerable portion of this pollution, the No. IV quality level (badly polluted) will be upped to Level III (moderately polluted). As of



1986, one may even count on a good (Quality Level II) condition of the former "cesspool." With sustained operation slated to begin in November, the phenol odor will abate almost completely, most of the foam formation will diminish, and the coloration will become somewhat less. The latter is caused by silicates which can be treated only after the expansion has taken place. However, the mud which is present in the river bed will not disappear over night, even though no more mud will be introduced into Espenhain in the future. In this case, a year-long self-purification of the river will be necessary.

For the coming weeks, the installation will still be carrying out "trial" operations, the units will be tested individually, and the volume of effluent flowing through them will be increased rather gradually. The microorganisms brought from the Boehlen installation must first multiply and must above all get used to their new environment and particularly to their new "fodder" composition. Nevertheless, after successful mastery of the many "small" problems which such a large-scale project is bound to generate, the workmen and engineers in Espenhain are optimistic that soon nobody will have to hold their nose because of the Pleisse river.

8272

CSO: 2300/171

UPGRADING, MAKING BETTER USE OF FOREST LANDS

East Berlin BAUERN-ECHO in German 24 Nov 83 p 7

[Article signed Ma.: "Making the Forests even more Productive"]

[Text] Foresters conferred on upcoming tasks at annual scientific meeting.

Four hundred foresters from all parts of the republic recently met in Leipzig in order to confer at this year's annual scientific meeting concerning "basic orientation and tasks in connection with comprehensive application of socialist management practices in the state-operated forestry enterprises. Deputy Minister for Agriculture, Forestry and Foodstuffs Rudolf Ruethnick delivered the main speech at this two-day event held by the GDR Agricultural Science Society jointly with the Ministry for Agriculture, Forestry and Foodstuffs. He particularly made it clear in his interesting statements how it is possible with the aid of socialist management practices to solve even more effectively the growing tasks of forestry in the course of carrying through the economic strategy of the party of the working class in the 1980s, which means at reduced social expenditures.

Among others, these tasks include the 6-percent increase in raw-wood availability vis-a-vis the preceding year, successful counteraction against the great incidence of harmful insects, the supply of rationalization means from one's own resources, and an increase in consumer goods production. He emphasized that in the focal point of all enterprise management measures must, however, be development of the forest resources. At a time when the forests are exposed to manifold injurious influences and when the raw material problem is playing an important part in the conflict between the different social systems, the preservation of our natural resources is of the greatest political importance.

It is particularly the foresters and supervisory foresters who are responsible for the productive capacity of the forests. In order to obtain favorable management results, 300 new forester's homes and 40 new head foresters homes have recently been set up. The minister suggested that the achievements of these foresters should to a greater degree than hitherto

be measured on the basis of the development of our forest reserves. In this context it would also be of value to determine the best foresters and head foresters of each STFB [state forestry enterprise]. In the course of the discussion this idea was expanded to include the thought that it is advantageous to develop once again a sound forest-related egotism. However, it is not a mere idea, but a firm demand to make the work with maximum forestry-related yield concepts a solid component part of the conduct of the 1984 competition. In this discussion, Party colleague P. Hauenschild, the chief of the Steinbeck head forestry unit of the Eberswalde state forestry enterprise also spoke about experiences gathered in this connection. (We shall report in detail about his work in a later edition).

In his speech, the minister talked about the manifold possibilities for reducing expenditures in the sphere of forestry production. The basic capital of more than 2.3 billion marks is still not used to full capacity, he said. Thus, for instance, systems of debranching GDR-produced thin trees should be utilized better.

But there also exist reserves in other areas. Fifty percent of the investments made for equipment are to come from forestry's own production. This calls for more efficient utilization of the innovators' ideas.

Two examples show what it is possible to accomplish by means of a committed approach to the work to be done. Through proper proportion and assortment standards, it was in 1982 possible to do away with veneer imports amounting to 10 million exchange-rate marks. And while in their letter to Erich Honecker written in June of this year the foresters had obligated themselves to surpass the planned consumption goods production by 4 to 5 million marks, they have in the meantime arrived at 20 million marks.

Such accomplishments must be the standard for the future. Because, after all, what you shout into the woods will eventually echo back to you.

8272

CSO: 2300/164

REGULATORS REDUCE ENTERPRISE PURCHASING POWER

Budapest HETI VILAGGAZDASAG in Hungarian 19 Nov 83 pp 54-55

[Article by Sandor Balazsy: "A Light Trim--Enterprise Incomes 1984"]

[Text] There will not now be fundamental changes affecting the essence of the enterprise income regulator system, but there have been modifications--as appears from the new regulations concerning the 1984 regulator system. The centralization of enterprise incomes is increasing further, but on the other hand a number of provisions are going into effect which make possible an enterprise management more flexible than earlier.

The November 12 MAGYAR KOZLONY, of imposing bulk, contains--among other things--decrees on the changes which will take place beginning 1 January 1984 in the area of enterprise income regulation. Studying the regulations it can be established that in the future less purchasing power will remain at the enterprises; but while the tax pressure becomes more severe broader possibilities are opening for more rational enterprise management.

Naturally there is no cause for joy on the part of the enterprises in regard to the increased centralization of enterprise incomes, the considerable increase in taxes and other withdrawals, but in order to achieve the general balance goals there was certainly a need for steps which one should have counted on--recognizing the increasing burdens on the national economy in 1984. The national economic plan for the coming year prescribes a further reduction in internal use, and if this was to be achieved economic guidance could not avoid another trimming of enterprise incomes.

One means of income withdrawal is that beginning January 1984 the magnitude of the social insurance contribution to be paid by the enterprises on wages will increase by 10 percent--from 30 percent to 40 percent (HETI VILAGGAZDASAG, 22 October 1983). This step corresponds to an idea espoused by many domestic economists that in the interest of being thrifty with live work it would be desirable to make live work more expensive by increasing the tax burden in proportion to wage costs. In any case, the increased contribution will cover a greater share than before of social awards in addition to wages (such as, for example, sick pay, family supplements and pensions) and of the expenditures needed to maintain health services. But the essential thing is that the increase in the contribution will increase the wage costs of the enterprises by about 8 percent.

For the sake of clarity let us illustrate by means of an example how an 8 percent increase in costs derives from the 10 percent increase. Up to now 100 forints paid out in wages meant a wage cost of 130 forints, with the 30 percent contribution added; hereafter it will mean a wage cost of 140 forints, which is 107.7 percent of 130 forints, so the increase is nearly 8 percent.

Will not this considerable increase in wage costs cause a price increase? The costs level will increase in the wake of the contribution increase, but the producers price level will not necessarily increase, at least not because of this and not in proportion to the wage costs. To a large extent and on the average the elimination of the previously obligatory reserves will counterbalance the increase in costs due to the increase in the social insurance contribution.

Heretofore the enterprises had to put a significant part of their profit, a part increased several times in recent years, in sequestered account, called an obligatory reserve, after payment of the city and community contribution and the profit tax. The enterprises could make use of these reserve funds to only a limited degree.

In reality the generation of an obligatory reserve was a hidden form of taxation. Now this hidden tax burden is being abolished--simultaneous with an increase in the wage contribution realizing an open taxation--thus now the enterprises can generate the same size developmental and shares fund from a profit smaller than before than they could earlier from a larger profit.

Naturally, a reserve is still needed for secure enterprise management even if the obligatory reserve is abolished. But hereafter the enterprises can generate a reserve according to their discretion and can make use of it freely. The enterprises can generate the new type profit reserve from untaxed profit, after payment of the city and community contribution. Hereafter they will have to pay a profit tax on the reserve only when they use the reserve to supplement the profit attained in the current year.

Actually abolishing the obligatory reserve generation means a modernization in the profit tax, and one can expect from this some important and advantageous effects. If the state withdraws less from the profit under the heading of taxes and if more remains at the enterprise than the interest attaching to profit increases, it becomes more worth while to be thrifty with all types of costs, or--as they say in professional jargon--the costs sensitivity of the enterprises increases. Indeed, hereafter one can count on the enterprises generating a reserve on a scale depending on their possibilities and interests, even if the scale of this is not prescribed in an obligatory way. One can even take it as certain that the total of the reserve funds will constantly increase, more or less as when the state loan subscription was abolished in 1957--it turned out that the populace would save even when not forced to do so.

The decrees which have now appeared also extend to the future fate of reserve funds accumulated in earlier years. According to this the enterprises can list interest-bearing securities from their existing obligatory reserve fund stock--and from the repayment of sums taken from the reserve funds. The smaller portion of the obligatory reserve fund not used to list securities can be placed in their new, freely disposable, reserve funds, but the larger portion--using the wording of the official communique--finally "leaves the decision sphere of the enterprises." In plain language, the state takes it away. In other words, the enterprises finally pay in the earlier hidden tax.

As can be seen from the above, the measures taken are in part a change in form, an adjustment to the real content. In the wake of this the situation will be clearer and less ambiguous than before; the essential thing is that the increased social insurance contribution, a form of withdrawal openly declared to be a tax, takes the place of a withdrawal which had the character of a tax but which was coyly called a reserve. But the new provisions cannot be called merely formal.

For some of the enterprises the obligatorily generated reserve could become earlier, in part, a developmental resource. On the one hand the favorable state loan could be paid off from profit before taxes and not only was this repayment not burdened by the profit tax, it was not burdened by the obligation to generate an obligatory reserve either. On the other hand enterprises which were short of funds could request permission--and usually were permitted--to satisfy their due repayment obligations from their reserve fund.

On 1 January the higher social insurance contribution will take the place of the tax disguised as a generation of reserves, so it will no longer be possible to draw on these in case of need. Of course, hereafter also, the central organs can help out enterprises struggling with difficulties, using other resources, if they judge the aid to be justified. But the character of the aid is obviously different depending on whether it comes from a reserve fund which the enterprise regarded as its own or if it is granted as unambiguous support, possibly in the form of a loan or by easing the normative tax burdens.

The substantive difference behind the change in form is that the increased social insurance contribution is a lasting obligation, while--in principle--the enterprises had to generate the obligatory reserve only until it reached a definite level. But since more and more enterprises were approaching a reserve fund level after which they would not be obliged to generate a reserve it had to be presumed that the state resources which could be generated in this way would gradually dry up. The "formal change" has now solved this problem.

Of the provisions now published the enterprises probably feel that the one that most cuts to the quick is that in 1984 a part of the enterprise developmental funds will be withdrawn also. In general in 1983 they had to put 9 percent of the developmental funds generated into a sequestered

account. In 1984 those who paid in 9 percent this year will have to put 22 percent in the sequestered account and the exceptions, who sequestered 6 percent thus far, will have to put 16 percent into the sequestered account. Limiting developmental funds will naturally cause problems from the enterprise viewpoint, but this is needed to keep investment purchasing power within the planned frameworks.

Probably what will cause the biggest problem is not that this decreases the investment possibilities of the enterprises but rather that the money which could be used to pay off credits assumed earlier is diminishing. It may happen that at some enterprises even use of the declining developmental fund will not suffice to make the payments due. A possibility for an organized solution of such problems will be given by the fact that a so-called intervention fund will be created centrally from that part of the developmental fund withdrawal which exceeds last year's and this can be used on the basis of central decisions, primarily to help branches which get into difficulties because of the especially serious and prolonged business slump. Finally, for the sake of completeness, it should be mentioned that beginning in 1984 the amortization system will become more flexible; the number of write-off keys will decrease and it will become possible to select in a flexible way the annual size of the write-off, in addition to the average write-off keys. It is a new rule in the generation of the shares fund that beginning in 1984 the source for innovator prizes and cooperation prizes connected with innovation will not be the shares fund but rather the taxed profit of the enterprise.

8984

CSO: 2500/129



FORTY HOUR WORK WEEK IN INDUSTRIAL, GOVERNMENT SECTORS

Optional for Industry

Budapest MAGYAR KOZLONY in Hungarian 27 Oct 83 pp 761-762

[Resolution No 1044/1983 (X. 27.) of the Council of Ministers on Extension of the 40 Hour Work Week in Industry and the Construction Industry]

[Text] In the interest of the gradual extension of the 40 hour work week in industry and the construction industry the Council of Ministers--in agreement with the National Council of Trade Unions--has passed the following resolution:

1. Beginning 1 January 1984 the 40 hour work week can be introduced by employers listed in the industry and construction industry economic branches according to the uniform branch classification system.

The conditions for introducing the 40 hour work week are the following:

--the reduction in work time must be realized from the economic, financial resources of the management organs themselves, without central material support; thus their incomes cannot decrease and their financial (economic) situations cannot deteriorate. The effect of the reduction in the work time base must be counterbalanced by an increase in the efficiency of management, an improvement in the organization of production processes, modernization of technology, a moderation of deficit sources, the introduction of effective work systems and a regrouping of workers;

--the reduction in work time cannot hinder the performance of the tasks of the management organs or the continuity in the satisfaction of the needs of the populace;

--the continuity of contacts among management organs and the handling of the affairs of the populace must be ensured. The extension of the 40 hour work week must be used in such a way that when developing the work system for service organizations having a connection with the populace an effort should be made--by extending open times--to significantly decrease the lost time for all management organs;

--the wages of workers cannot decrease due to the moderation in work time. This must be achieved by increasing the performance requirements and by creating conditions ensuring their fulfillment;

--reviewing the application of provisions pertaining to eating times and carrying these out perfectly.

2. The reduction in work time should be realized by a reduction in the daily work time and with an average 40 hour work week in the construction industry--taking into consideration production and transportation contacts and the interests of the workers affected.

3. Extending a reduction in work time is within the decision sphere of the employers--in the event of fulfillment of the conditions prescribed in this resolution and with the approval of the supervisory organ. The tasks connected with a reduction in work time will be fixed in a program corresponding to the unique conditions of the management organs--prepared on the basis of the pertinent regulations and guiding principles and prepared jointly with the place of work organ of the trade union.

The program must contain:

--technical-economic, organizationa, labor force regrouping measures and measures pertaining to a decrease in lost time serving to counterbalance the decrease in the work time base deriving from the reduction in work time;

--tasks interdependent with cooperation and public services;

--a work system and work time assignments for the workers; and

--measures pertaining to performance and wages.

The effect of measures affecting other organs must be harmonized in advance with those interested--for example, the receipt and transfer of goods must be harmonized with the affected domestic trade management organs.

The program must be discussed with the workers in a manner similar to the collective contract and must be finalized on the basis of this discussion.

4. The program must be sent to the supervisory organ (in the case of a cooperative to the chairman of the capital or county council) 2 months before the planned time of introduction of the reduction in work time for the purpose of approval and continual supervision of execution.

5. The management organs must prepare a notice on the basis of the program, which must be sent to the chairman of the appropriate county council in accordance with the time limit prescribed in point 4.

In the case of employers in the capital the guide for council harmonization is Council of Ministers Resolution No 1038/1981 (XII. 17.) on staggered starting of work and study.

6. The special administrative organs of the executive committees of capital and county councils taking care of transportation tasks will study and harmonize with the transportation enterprises the planned measures of the management organs, taking into consideration the guiding principles of the minister of industry and the minister of construction affairs and urban development.

7. The minister of industry and the minister of construction affairs and urban development will issue guiding principles in the interest of aiding the extension of a reduction in work time--in agreement with the appropriate ministers and the branch or branch of industry trade unions according to the unique characteristics of the branch.

8. Within the framework of supervisory control the supervisory organs will constantly study whether the extension of the reduction in work time is taking place in accordance with the prescriptions.

9. The Council of Ministers asks the National Council of Trade Unions to aid the realization of what is contained in the resolution.

10. This resolution goes into effect on the day of its promulgation; at the same time, Council of Ministers Resolution No 1013/1981 (IV. 27.) on introduction of the 5 day work week and on modification of work time connected with this loses its effect.

[signed--Lajos Faluvegi, deputy premier, Council of Ministers]

#### Mandatory for State Administration

Budapest MAGYAR KOZLONY in Hungarian 27 Oct 83 pp 763-764

[Resolution No 1045/1983 (X. 27.) of the Council of Ministers on Switching to a 40 Hour Work Week for Workers in State Administration and the Administration of Justice]

[Text] 1. Beginning 5 March 1984, the 40 hour work week must be introduced for the organs of state administration and the administration of justice defined in the attachment to the resolution.

2. a. From the time defined in point 1 the work time at central organs will be from 0800 to 1630 hours Monday through Thursday and from 0800 to 1600 hours on Friday.

b. The order of work at regional organs will be established by the leader of the supervisory organ--the chairman of the capital or county council for local council organs--taking as a basis what is contained in point a. In justified cases, however, a distribution of work time deviating from point a can be established also.

3. Rules pertaining to breaks during work will be established by the leader of the organ in agreement with the place of work organ of the trade union.
4. An order of work or distribution of work time deviating from point 2 can be prescribed at central and regional organs by the leader of the organ--in agreement with the place of work organ of the trade union--in defined spheres of work.
5. The conditions for reducing work time are:
  - a. The reduction in work time must be realized without making use of increased personnel and extra wages while ensuring the undisturbed nature and continuity of the conduct of affairs.
  - b. There can be no interruption in satisfying the needs of the populace or of enterprises.
  - c. One cannot reduce the time turn-d to taking care of the affairs of the populace (hours of admission, etc.) and this time must be developed in accordance with the needs of the populace.
  - d. Wages of workers cannot decrease due to the reduction in work time.
6. Ministers, leaders of organs with national authority and leaders of supervisory organs will supervise the introduction of the 40 hour work week.
7. The Council of Ministers asks the National Council of Trade Unions to aid the introduction of the 40 hours work week.
8. The Council of Ministers asks the elected leading bodies of social and interest representation organs and of mass organizations to develop rules for the introduction of the 40 hour work week in their own organizations, taking into consideration what is contained in this resolution.
9. This resolution goes into effect on the day of its promulgation.

[signed]]Lajos Faluvegi, deputy premier, Council of Ministers]

Attachment to Council of Ministers Resolution No 1045/1983 (X. 27.)

[Text] The effect of the resolution extends to the following organs of state administration and the administration of justice:

a. Central organs:

--ministries,  
--State Wage and Labor Affairs Office,  
--State Church Affairs Office,

- State Census Office,
- Secretariat of the Presidential Council,
- Supreme Court,
- Supreme Attorney's Office,
- Central Geological Office,
- Central Popular Control Committee,
- Central Statistics Office,
- Transportation Main Inspectorate,
- Hungarian Chamber of Commerce,
- Hungarian National Bank,
- Hungarian Standards Office,
- Hungarian Telegraph Office (with the exception of journalists),
- Central Office of the Hungarian Academy of Sciences,
- Council Office of the Council of Ministers,
- Information Office of the Council of Ministers,
- Secretariat of the Council of Ministers,
- National Headquarters of the Workers' Guard,
- National Materials and Price Office,
- National Mining Main Inspectorate,
- National Environmental and Nature Protection Office,
- National Meteorological Service (administrative part),
- National Measurements Office,
- National Technical Development Committee,
- National Patent Office,
- National Physical Education and Sports Office,
- National Water Affairs Office,
- Office of the National Assembly,
- Control Main Directorate of the Ministry of Finance,
- economic and maintenance services serving the ministries and organs with national authority.

b. Regional organs;

--council state administrative organs (councils: Capital Council, county councils, councils of cities with county rank, district offices, councils of capital districts, offices of districts of cities with county rank, city councils, councils of large towns and town councils and the special administrative organs of these; state administrative organs under supervision of the councils: fees offices, county, district and city land offices, council budgetary accounting offices and transportation inspectorates),

--Capital Popular Control Committee, county organs of the popular control committees (committees of cities with county rank) and the district, city and capital district organs of them,

--courts and expert institutions and offices for the administration of justice,

--attorneys' offices,

- Ministry of Finance regional audit directorates, accounting offices and bureaus,
- Central Statistics Office Budapest and county directorates,
- regional mining inspectorates,
- county directorates of the Hungarian National Bank,
- administrative parts of the water affairs directorates of the National Water Affairs Office,
- measurement certification offices of the National Measurements Office,
- regional organs of the National Meteorological Service.

8984

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FUNDS FOR MANPOWER RETRAINING REMAIN UNUTILIZED

Budapest NEPSZABADSAG in Hungarian 7 Dec 83 p 4

[Article by Agnes Csik: "Why Are the Funds Not Used?"]

[Text] At the factory gate in the morning, those who feel that their feet would not even carry them elsewhere, that the routine motions of their work could be carried out even when half asleep, can become anxious at the thought that they also can be caught by a reorganization under the slogan of "product structure modification" or of rational labor force management. This can happen but no one need feel threatened as to his ability of making a living.

As of June this year, for the duration of their new training period, a so-called retraining grant is received by all who are assigned to another enterprise and to some work different from what they were trained for because of an organized regrouping of the labor force. Thus, during this time, their income will be comparable to their previous average earnings irrespective of their payment mode and productivity. The grant is refunded to the enterprises from a central money fund and, if necessary, the government is prepared to spend a quite considerable sum for this purpose.

During the past six months, however, the state till was reduced by only some twenty and a few thousand forints per month by the retraining grant. Only one enterprise asked for the grant, the Szabolcs Shoe Factory of Nyiregyhaza, which had taken over the Zakony plant of the Leather and Synthetics Processing Enterprise of Rakospalota and retrained its workers to make shoe uppers.

Let us see now what could be the reason for the shoe factory in Nyiregyhaza to count as a white raven so far.

First of all: for the time being, there are none to be retrained elsewhere. Mainly because inter-enterprisal labor force regrouping has not occurred or occurred very rarely. It does not happen or happens only occasionally that an enterprise would let go of more than 10 workers at the same time because of the modernization or reorganization of production.

Secondly: it is possible that there are none to be retrained because the regrouped workers can also find jobs appropriate to their original training in enterprises with a similar profile. Namely, throughout the country,



the most varied enterprises are looking for workers with almost any type of training.

Therefore, the question ought to be reformulated in the following manner: does the lack of demand for the retraining grant also indicate that the enterprises still do hardly anything for an effective labor force management? Or rather, consequently, does it also indicate that they are still not aware that their survival depends on a rational change in production?

Although the low sum spent on retraining grants, after the first half year, can hardly be the cause of far reaching conclusions, it is quite obvious that nowhere was the possibility received in readiness to jump. It appears confirmed that the enterprises have not let and are not letting their labor force reserves go for reasons mostly other than the responsibility felt toward the workers. At the present time, in the State Wage and Labor Office, they know of no preparations for a single organized regrouping and even last year such cases could be counted on one hand.

Although there certainly is some truth to the comment by one official of the State Wage and Labor Office that the spontaneous flow of the labor force often makes a regrouping unnecessary.

In any case, the conditions for an organized solution have already been "padded" through labor law provisions and regulations. It is generally known that the labor unions have veto power in such type of decisions; there is legal regulation that the regional employment service organization must be advised three months before an organized regrouping takes place; early this year, the new, service type employment offices were established in every megye; and all this was capped by the introduction of retraining grants as of June.

The reserves are not moving, however, and thus the great demand for workers is facing an unchanged and significant internal labor force reserve. Wherever they can, the enterprises set themselves up with sufficient workers for the peak production periods because the delayed delivery of domestic supplies, the changing possibilities of marketing abroad and a whole series of other circumstances induce the managers toward unscheduled production and, consequently, toward maintaining reserves.

These undoubtedly are very strong retarding forces and in part they explain that, currently, a majority of the enterprises tries to adapt to the changing conditions in a spontaneous, groping manner instead of a rationally planned "product structure modification." And in a situation like that it is natural that a maintenance of reserves is precisely what they consider "rational" labor force management.

The trouble is that they can also do it. And, of course, they will continue to do it until the opposite is forced upon them by the economic environment, competition and the market.

2473

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COMPETITION FOR FOREIGN TRADE JOBS PUBLISHED

Budapest OTLET in Hungarian 1 Dec 83 p 13

[Interview with Dr Ferenc Toth, Chief of the Main Department of Personnel and Education of the Ministry of Foreign Trade, by Andras Tardos: "Advertised Birdlime?"; date and place not given]

[Text] "For the 4 positions of counsellor, there were more than 100 applicants; for the posts of secretary, there were more than 300."

A surprising advertisement appeared at the end of October in several economic journals. The Ministry of Foreign Trade advertised managerial and trade secretarial positions at the foreign trade sections of legations. Aren't there enough applicants for foreign commissions that are considered attractive both financially and otherwise? This was the question we asked Dr Ferenc Toth, Chief of the Main Department of Personnel and Education of the Ministry of Foreign Trade.

[Answer] Perhaps it was surprising to publish the advertisement, but I think, such a thing happens with every new initiative. The point is not that the ministry does not have enough qualified personnel or--to use the old and worn term--cadres. We thought that in the selection of personnel we must make use, in addition to traditional methods, of modern--or fashionable--methods as well. Selection must become more open and more democratic, for this is not a separate or mysterious thing but an integral part of our economic work.

The present tasks of our national economy also force us to make a better use of the forces at our disposal. This is, among other things, what this advertisement is supposed to accomplish. As was apparent from the advertisements, we advertised 4 positions of chief of foreign section (counsellor) and 11 secretarial positions. This is about 10 percent of the existing positions of counsellor, and the percentage is even smaller in the secretarial positions.

In the last years more and more enterprises and other economic organizations acquired the right for independent foreign trade. Most of them are not under the authority of the ministry. We had advertised secretarial positions already in 1981, but not in the press as we are doing it now but within the information network of foreign trade. Now, by making the advertisement more

widely publicized, we also aimed at non-ministerial enterprises. The present advertisement, in addition to serving a concrete task, is a kind of survey at the same time.

[Question] What was the response, how many applications were filed?

[Answer] After the application deadline, I can say that the response was much better than expected. For the 4 positions of counsellor, there were more than 100 applicants; for the posts of secretary, there were more than 300. In the case of the positions of counsellor, we expected 5 or 8 times more applicants, including the conditions; in the case of the secretarial positions, we expected 5 to 10 times more applicants. 183 of those who applied for the secretarial position are under 35 years of age. In the case of the position of counsellor, where experience in management was a requirement, 15 out of 100 are also under 35, and we are pleased with this. The success of the advertisement is shown by the fact that there was a director-general and 2 deputy director-generals among those who applied for the position of counsellor.

[Question] How is the selection being made?

[Answer] First, we read through this large volume of applications. Those which do not meet the formal requirements are eliminated right away. For it is reasonable to expect from a foreign trader to meet the formal requirements, i.e., to include, in addition to his name and present job, his previous jobs and a detailed professional resume, describing how he meets the special requirements (e.g., knowledge of machine industry or experience in food industry, agricultural and machine trades, etc.). Those who do not meet these requirements are eliminated to begin with. The applicant is notified of this by mail.

Those who meet the formal requirements are examined verbally by a professional committee. I can truly say examined, for the applicants must demonstrate during these talks not only their language ability and professional accomplishments but also their familiarity with the Hungarian economy, to some extent their human attributes, their negotiating ability, their ability for concentration, their flexibility, etc. The committee will be made up of representatives of the interstate department, and will talk with the applicant in the language (English, Russian, Spanish, Italian, etc.) that was advertised.

[Question] Will the committee tell the applicants the results right away?

[Answer] No. The committee will evaluate the examinations and will make a recommendation to the minister (in the case of the positions of counsellor) or to the deputy minister or chief of main department (in the case of the secretarial positions). They are the ones who have the right to appoint, i.e., to decide. We think we will have the already qualified applicants further compete for the specific positions. This means that we will select 2, 3, or even 4 candidates for each position. We will tell them that they passed the examination and are being considered for the position of counsellor

or secretary. As it is apparent from the advertisement, the appointments are effective as of August 1984 or July to September 1985.

In the meantime the candidates remain at their present jobs and keep working there but they also begin preparing for the mission. They study the given country's economy, culture, history and relations with Hungary. They regularly consult in these questions with the appropriate departments of the ministry.

[Question] In the final analysis, then, what is the determining factor for the appointments?

[Answer] The final decision will be made in the period preceding the appointment. At that time we will also consider the opinions of the candidates' present employers. We ask the employers to pay more attention to the work of the candidates, to give them assignments that will prepare them for their new assignments, and to tell us how the candidates are doing and how they relate to their colleagues. In plain language: Are they too sure of themselves? Are they neglecting their jobs? In short: Are they really serious people?

I do not know whether it was apparent to you that initially we did not ask for the opinion of the employer. This is no accident. We thought it was important for every applicant to freely decide whether he wants to apply or not. For this is also a factor in qualifying; demonstrating the applicant's self-control. It is possible that the enterprise does not recommend him because he is needed or is not considered qualified enough. There may be also other reasons. On the other hand, they may recommend and praise the applicant because they want to get rid of him.

The employer's opinion will serve in the last phase as a control. After we get acquainted with the applicant, we will compare our opinion with that of the employer, and then make the decision.

[Question] What will happen to those who were qualified but did not get the job?

[Answer] For everyone, the examination means a kind of evaluation. This is very necessary in foreign trade. We could also say that they went through a rigorous professional examination. Thus, there will be no "losers."

Those who passed the examination and became candidates but will not be appointed in 1985, can still hope, for they will stand by for a later date.

[Question] In your opinion, will "super-geniuses" emerge in the course of the selection?

[Answer] We would like to find "super-geniuses," but this is not the purpose of the advertisement. We would be very pleased to find outstanding professionals but, let me emphasize, we want to find the right persons for the given tasks. We have high requirements and expectations, but these are not, in my opinion, unrealistic.

## DEVELOPMENT OF MACHINE INDUSTRY FOUND DISAPPOINTING

Budapest FIGYELŐ in Hungarian 3 Nov 83 p 5

[Article by Janos Lavich: "Machine Industry--Half Time of the Plan's Time Period"]

[Text] In the last two-and-a-half years the machine industry's output increased by 11.2 percent, which is 2.8 percentage points less than the production increase the plan expected.

Development of Total Production in the Machine Industry  
(same time period of the previous year = 100)

	<u>1981</u>	<u>1982</u>	<u>first half of 1983</u>
Machine Industry	105.7	104.4	100.8
Of this:			
Machine and mechanical equipment industry	106.8	107.4	100.1
Transportation equipment industry	103.4	105.7	98.2
Electronic machine and appliance industry	105.7	104.2	95.8
Communication and vacuum technology industry	111.1	104.7	108.6
Instrument industry	113.0	105.7	106.1
Metallic bulk products industry	98.2	93.0	102.6

Growth was most dynamic in the production of the instrument, communication and vacuum technology industries.

Just as in production, sales in the machine industry also increased the least (2.1 percent) in the first half of 1983. When sales are broken down by the markets, we can observe a shift during the course of the time period. While in 1981 domestic sales increased much more dynamically (6.2 percent) than export (1.6 percent), the situation was the reverse in the next year and a half. Export increased by over 8 percent while domestic sales increased only by 2.4 percent in 1982, and only by 0.4 percent this year.

The more important basic operating machinery and equipment of the machine industry enterprises operated 40.3 percent of their calendar time base in the first eleven months of 1982, and 39.8 percent in the first five months

of this year. The ratio of machine hours missing from the scheduled time base and the distribution of nonoperating time broken down by reasons reflect all the problems which in the last year and a half unfavorably affected the continuous production work of industrial enterprises. For various reasons, about one-fourth of the scheduled time base was lost from production. Lack of manpower caused 30 percent of this. Machine hours lost due to the lack of materials, component parts, and semifinished products amounted to about 13 percent, and down-time due to the lack of orders was about another 12 or 13 percent. (This year, machinery time lost due to the lack of materials decreased somewhat and that due to the lack of orders has increased some.)

The 11.2 percent increase in the machine and mechanical equipment industry's production volume achieved since 1980 is significant because continuous production is being hindered by the lack of manpower. That is, the ratio of machine down-time due to the lack of operating personnel amounted in this branch to 42.2 percent in the first 11 months of last year and to 43.9 percent in the first five months of this year.

Sales by the machine and mechanical equipment industry increased at a ratio similar to production. In the time period under study, within domestic sales the deliveries made for investment purposes have continuously decreased, while at the same time the volume of products sold through the wholesale and retail trade increased significantly (by 40.6 percent compared to 1980). Small machinery, household appliances, durable consumer goods and metal structures represent a larger ratio among them. The ratio of component parts and subassembly units increased in sales primarily in connection with the spare parts supply programs for agricultural machinery and with the rejuvenation and capacity-expanding modernization of technological equipment placed in operation earlier.

Machine production for energy management purposes participated successfully in solving the tasks of the energy rationalization program. Primarily, this increased the supply of coal- and gas-fired furnaces and decreased the losses in energy conversion and distribution equipment. Even though the production capacities were available, the sales of equipment that burns agricultural byproducts and waste was lower than planned because demand was lower than had been assumed.

In both relations the sales of this branch abroad increased modestly in 1981, and significantly in the last year and a half. The 12.1 percent increase in ruble-accounted export in 1982, and the 21.8 percent increase in convertible-accounted export in the first half of 1983 are especially significant.

Production in the transportation equipment industry increased moderately in the first two years of the time period under study, but decreased in the first half of 1983 and thus halfway through the plan's time period it surpassed the 1980 production level by only 7.3 percent.

It is characteristic to a significant portion of this sub-branch's enterprises that continuous production was hindered by manpower problems.

Lack of manpower caused over 27 percent of the machine hours lost from the scheduled time base in the last year and a half. They are trying to ease this at some enterprises by employing foreign (generally Polish) workers. But such a solution is quite costly, as even in 1982 one manhour worked by a foreign worker cost about 200-250 forints.

Strong export orientation characterizes the sales by the transportation equipment industry, more than half of its products are sold abroad, mostly in ruble-accounted export. Buses, which represent the largest volume, ships for inland waters, portal and floating cranes, subassemblies and main components (undercarriages, power steering equipment, etc.) are delivered within the framework of bilateral and multilateral specialization agreements between the CEMA countries.

The large (16 percent) decrease in 1981 in the export of transportation equipment industrial products sold for convertible currencies was the result primarily of the significant (about 70 percent) decrease of bus export. Even the increased export of diesel passenger trains was unable to counter-balance this. Convertibly-accounted bus export increased again in the first half of 1983, and its value was 84 percent higher than in the first half of last year.

Production in the electrical machine and equipment industry increased by only 5.6 percent in two and a half years. The more important basic operating machinery and equipment of the electric machinery and equipment industry operated in 40.8 percent of the calendar time base and 70 percent of the scheduled time base in the first 11 months of last year. Capacity utilization was even lower than this in the first five months of 1983, at 38 and 68 percent, respectively. Production in this sub-branch was hindered primarily by the lack of manpower and orders. About 30-32 percent of the scheduled time base of the more important basic operating machinery and equipment was lost. Last year 31, this year 27 percent of this was due to lack of manpower, and 18 and 20 percent, respectively, to lack of orders.

The 1981-1982 sales increase in the electrical machine and equipment industry fell short of the production increase, and the product quantity sold in the first half of 1983 was also less than one year earlier. The branch sells mostly domestically, the ratio of this is 75-80 percent.

The difficulties of washing machine production were not successfully alleviated by selective production development. With the present regulators, production of certain models of household electric stoves is not profitable; production of these was terminated, and thus production in this product group has continuously decreased.

Due primarily to material supply difficulties, in the first half of this year a significant portion of the products could be produced only later than planned, and with greater effort. Considering the high ratio of domestic sales, this hurt primarily the domestic consumers. For example: rotating machinery could be built only in quantities and at the rate depending on the arrival of imported bearings, and the production of transformers was hindered



by import difficulties of insulator bushings. There was also significant decrease in the domestic sales of electric wires and cables, in which in addition to material shortages (PVC, copper) the lack of storage spools also played a part. Some 8.7 percent less refrigeration equipment was made than a year earlier. Due to the priority of convertibly-accounted export, domestic supply of refrigeration equipment was insufficient.

Sales for foreign trade purposes decreased in 1981, then increased in 1982 and in the first half of 1983 as a result of the dynamic growth (14.7 and 7.1 percent, respectively) in the ruble-accounted export.

The convertibly-accounted export of electrical household appliances is characterized by increasingly sharp price competition, which further deteriorated the profitability of the affected enterprises.

The growth of the communication and vacuum technology industry fluctuated up and down in the last two and a half years. Production was stagnant in the first four months of this year, but increased at such a high rate in the last two months of the half that--on the semiannual basis--it exceeded that of a year ago by 8.6 percent. This increase in production was the result primarily of the increase in professional communication technology equipment and of computer technology products. Halfway through the plan's time period the production volume of this sub-branch exceeded the 1980 level by 26.4 percent.

The more important basic operating equipment and machinery of the communication and vacuum technology industry lost 18 percent of the time base from production on the basis of scheduled working hours in 1982, and 21 percent in the first five months of 1983. Of these lost machine hours, 14 and 12 percent, respectively, were due to material and spare parts shortages. This year, more than three-fourths of this is being caused by the lack of imported materials, or their late arrival. The ratio of machine down-time due to lack of orders increased from 14 percent last year, to 18 percent [so far this year].

Among the investment-oriented products of the communication and vacuum technology industry--in accordance with the export opportunities--production in the last two and a half years increased for telephone switchboards and computer technology products (by 33 and 55 percent, respectively). Production of the more important consumer products generally decreased, or was stagnant. Production of spare parts and subassembly units significantly decreased due to material supply difficulties.

Nearly 60 percent of the communication and vacuum technological products are exported, and three-fourths of this is sold for rubles. Halfway through the plan period the ruble-accounted export was 29.5 percent higher, and the convertibly-accounted export 16.9 percent higher than in 1980.

At midyear, production of the instrument industry was 26.7 percent higher than at the start of the plan period. Utilization of the more important basic operating machines and equipment of this subbranch decreased in the

last year and a half. Utilization of the calendar time base was 37 percent, compared to 39 percent last year. Utilization of the time base by work schedule decreased by one percentage point, and the ratio of machine downtime decreased, 38 and 35 percent of which, respectively, were caused by the lack of manpower.

The production of medical equipment and facilities--calculated at current prices--increased by 18 percent in 1981 and by 25 percent in 1982, but this year decreased by 12.6 percent due to the lack of imported materials.

In business management technological equipment the production of typewriters and cash registers decreased strongly: the quantity manufactured in the first half of 1983 was only one-third that of the year 1980. After two years of stagnation, sales control technology systems and control equipment increased in the first half of 1983.

Development of the export of instrument industrial products is determined by the ruble-accounted export. This has decreased by 9 and 2 percent, respectively, in the first two years of the time period under study, but in the first half of 1983 it increased by 28 percent over the volume of a year ago. The convertibly-accounted export increased gradually (and continuously): at midyear it exceeded the 1980 level by 26 percent.

The bulk metal product industry is the decreasing branch of the machine industry: production has gradually decreased between 1979 and 1982 (due in part to organizational changes); but in the first half of 1983 it exceeded the production level of a year earlier. The machine inventory of this sub-branch has become obsolete, nearly one-fourth of the basic operating equipment has been depreciated to zero but still continues to operate. In the last year and a half the enterprises used 40 to 43 percent of the time lost from the scheduled time base for tmk [social work associations] and for repairs caused by unexpected breakdowns. Beyond this, the manpower problems also hindered the continuity of production.

Production of the extremely highly demanded enameled cast iron bathtubs was 26 percent lower in 1982 than in 1980, and the decrease continued also this year. The reason for the decrease is partly the delay in investments, and partly the product selection which conforms poorly to the consumer demand.

Production of the enameled household pots and pans continues to decrease--due also in part to the change in consumer demands. The products are also being squeezed off the foreign markets.

The production of oil-fired iron space heaters decreased to 27 percent between 1980 and 1982--due to the effect of central measures--and production in the first half of 1983 is only 5 percent of that of a year ago.

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## FARMS' INDUSTRIAL ACTIVITIES ANALYZED, EVALUATED

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[Article by Andras Banky, Industrial Economics Research Group of the Hungarian Academy of Sciences: "Industrial Activity in Agriculture"\*)]

[Text] During the past decade and a half, the large-scale farms have been reshaped; the structure of their operations and their production structure have changed. An important characteristic of the changes, their most essential feature, has been the rapid growth of such ancillary activities as industry, construction, transportation, and trade. Industrial activity within agriculture has developed at the fastest growth rate.

This development has taken place despite numerous contradictions, with major or minor setbacks, and amidst frequent debate. Some people formulated excessive expectations: they hoped that the operation of the newly formed small-scale industrial plants would solve the problems of state industry and overcome the shortage of spare parts. Others (mainly the directors of industrial enterprises) regarded these plants as state industry's undesirable competitors who, by paying higher wages, were attracting labor from more efficient areas, thereby worsening macroeconomic efficiency.

In this article I will be examining from the viewpoint of large-scale state industry the scale and branch structure of industrial activity within agriculture, its established relations with industry and, in this context, certain problems of its operation. The detailed research conducted at the Industrial Economics Research Group relied on the data base of the Central Statistical Office, on case studies of 17 units, and on interviews with about 100 experts in agriculture, industry and economic management.

### Scale and Structure of Industrial Activity

Within the farms' production structure, the rapid growth of industrial activity can be observed in the 1970's. Whereas the farms' basic activity, in value terms, increased about 1.5-fold under the 5th Five-Year Plan, their industrial

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\*For the development of industrial activity in agriculture, its concentration by enterprises, and the classification of industrial plants, see my article "Industrial Activity in Agriculture," in IPARGAZDASAGI SZEMLE, No 4, 1982.

activity during the same period increased nearly fourfold. As a result, the internal structure of the various activities has changed considerably in recent years, in both sectors of agriculture.

On state farms the proportion of basic activity has dropped from an average of 70 to 60 percent. And since the proportion of other activities has not changed, this decline in the proportion of basic activity means a corresponding increase in the proportion of industrial activity. In the agricultural cooperatives, where industrial activity had a longer past, essentially the same processes of structural change have taken place as on the state farms, except that the growth of industrial activity started from a higher level than on the state farms, and therefore the growth rate has been slower.

#### Expanding Industrial Activity

In comparison with state and cooperative industry, in 1980 agriculture's industrial activity produced 5.7 percent of socialist industry's gross output in value terms. This proportion is becoming ever higher, because industrial activity in agriculture is growing at a faster rate than in industry. The significance of this activity in agriculture is evident from the fact that in 1980 industrial sales accounted for 21.2 percent of agriculture's total sales.

An analysis of agriculture's industrial activity by branches shows that food-industry production was the most significant, accounting for 60 percent of [industrial] sales. Also significant were the sales of industrial services, and engineering sales. Chemical-industry and light-industry production cannot be compared in terms of magnitude with the other branches of industry. Even if considered jointly, their share of total production was merely 9 percent. Their rapid growth can be explained by their previously low volume.

#### Internal Structure of Industrial Activity

The food industry within agriculture developed rapidly: its sales nearly doubled in 5 years. The bulk of its sales stemmed from the processing of the raw materials supplied by crop production and livestock production. Meat processing, winemaking, and feed processing accounted for three-fourths of food-industry production. In 1980, meat production accounted for 30 percent of socialist industry's output of meat-industry products, while the quantity of agriculture's wine-industry products amounted to nearly half of socialist industry's wine-industry production.

Engineering activity is a highly controversial area of agriculture's industrial activity. Its share of agriculture's industrial activity is 10 percent, but merely 2 percent of socialist industry's engineering output in value terms. Engineering production consists mostly of farm machinery, general metal goods, and various metal structures. The production of farm machinery is declining, but the volume and proportion of electrotechnical, telecommunications and instrument-industry products are rising rapidly. The proportion of engineering production increased from 7 percent in 1975 to 15 percent in 1980. A part of this production is taking place within the framework of cooperation agreements concluded with industrial enterprises, or on the basis of individual orders.

Sales of metallurgical, chemical-industry and light-industry products and of industrial services increased similarly, although their proportions in relation to the outputs in the appropriate sectors of socialist industry are much smaller. Thus the significance of growth varies by industrial sectors, but overall growth under the 5th Five-Year Plan was about 70 percent (at current prices).

We find significant differences when we examine industrial production by sectors of agriculture. While food-industry products account for most (for 82 percent in 1980) of industrial production within the state sector of agriculture, their share in the cooperative sector is much lower (46 percent, see Table 1).

Table 1. Structure of Agriculture's Industrial Activity by Agricultural Sectors (in 1980)

	Industrial sales in percent of total sales	
	State sector	Co-op sector
Mininig-industry products	0.5	2.2
Metallurgical products	-	1.2
Engineering products	3.8	13.4
Products of building materials industry	0.9	1.2
Chemical-industry products	6.2	6.7
Products of wood-processing industry	2.1	7.8
Other light-industry products	0.9	3.3
Other industrial products	1.1	1.6
Food-industry products	82.1	45.7
Output of industrial products jointly	97.6	83.1
Industrial Services	2.4	16.9
Industrial activity jointly	100.0	100.0

Source: "A mezogazdasagi vallalatok gazdalkodasa" (The Operations of Agricultural Enterprises), Central Statistical Office, Budapest, 1981.

Practically every agricultural enterprise produces industrial goods. There is some type of industrial activity on 92.4 percent of the state farms, and in 88 percent of the agricultural cooperatives. However, a study of industrial activities by farms unambiguously shows that industrial production is distributed very unevenly and is concentrated at a few enterprises. Thirty percent of the farms provide 92 percent of agriculture's industrial output in value terms, and merely 7.6 percent of the agricultural enterprises provide 61 percent of [agriculture's] total industrial output.

On state farms the food-industry sections account for half of the industrial plants and generate 82.5 percent of the state sector's industrial sales, hence these are plants of considerable capacity. Next, in decreasing order of magnitude, come industrial services and then wood processing. Only seven state farms engage in chemical-industry activity, but even these are plants of relatively large capacity.

The distribution of the number of agricultural cooperatives by industrial sectors shows a far more balanced picture. Also in the cooperative sector of agriculture the leading industrial sector is the food industry. A similar

number of cooperatives provide industrial services; and only slightly fewer cooperatives engage in wood processing.

Table 2. Number of Farms Engaged in Industrial Activity and Their Sales, by Sectors (in 1980)

	(2) Üzemek		Árbevétel Egy üzem-	(6)
Agazat	száma megoszlá-	sa, %	megoszlása	re jutó át-
(1)	(3)	(4)	(5)	lagos ár- bevétel 1000 Ft
(7) Állami gazdaságok				
(9) Gépipar	37	5,2	3,8	14 846
(10) Építőanyag-ipar	16	2,2	0,9	8 533
(11) Vegyipar	7	1,0	6,3	128 974
(12) Fafeldolgozó ipar	66	9,2	2,1	4 591
(13) Élelmiszeripar	327	49,8	82,5	33 325
(14) Egyéb ipar	57	8,0	2,6	6 607
(15) Ipari szolgáltatás	176	24,6	1,8	1 465
(16) Összesen:	686	100,0	100,0	20 144
(8) Mezőgazdasági termelősövetkezetek				
(9) Gépipar	532	8,1	14,0	7 364
(10) Építőanyag-ipar	102	1,6	1,3	3 578
(11) Vegyipar	181	2,8	6,6	10 263
(12) Fafeldolgozó ip.	1068	16,2	8,3	2 166
(13) Élelmiszeripar	1955	29,8	43,7	6 244
(14) Egyéb ipar	843	12,8	8,9	2 943
(15) Ipari szolgált.	1887	28,7	17,2	2 540
(16) Összesen:	6568	100,0	100,0	4 254

Source: "As iparon kivüli nepszadasagi agak ipari tevekenysege" (Industrial Activity of Branches of the National Economy Other Than Industry), Central Statistical Office, Budapest, 1982.

Key:

- |  |                                 |
|--|---------------------------------|
| 1. Sector                                  | 9. Machine industry             |
| 2. Farms                                   | 10. Building materials industry |
| 3. Number                                  | 11. Chemical industry           |
| 4. Percent breakdown                       | 12. Wood-processing industry    |
| 5. Percent breakdown of sales              | 13. Food industry               |
| 6. Average sales per farm,<br>1000 forints | 14. Other industry              |
| 7. State farms                             | 15. Industrial services         |
| 8. Agricultural cooperatives               | 16. Jointly                     |

### Relations Between State Industry and Agriculture's Industrial Plants

Within the framework of legal and economic regulations, the large-scale farms have established various types of relations with industry and domestic trade. Aggregate data by sales destinations are not available. From the investigated sample, however, it seems likely that direct sales to industrial enterprises are the dominant type of relationship (see Table 3).

Table 3. Percent Breakdown of the Forms of Market Relations in the Investigated Agricultural Cooperatives (in 1980)

Kapcsolati forma (1)	(2) Termelőszövetkezetek									
	1	2	3	4	5	6	7	8	9	10
Kooperáció (3)	30	22	66	33	3,3	53	59	41	87	70
Közvetlen értékesítés (4)	70	88	34	67	96,7	47	41	59	13	30
Ebből: (5)										
Iparvállalatoknak (6)	65	55	13	53	96,7	26	41	59	5	30
Kereskedelemnek (7)	5	33	21	14	—	21	—	—	8	—
Összesen: (8)	100	100	100	100	100	100	100	100	100	100

**Key:**

- |                              |                              |
|------------------------------|------------------------------|
| 1. Form of market relations  | 5. Of which                  |
| 2. Agricultural cooperatives | 6. To industrial enterprises |
| 3. Cooperation               | 7. To domestic trade         |
| 4. Direct sales              | 8. Jointly                   |

**Custom Processing the 'School' of Cooperation**

Lacking experience in industrial production, the small-scale industrial plants at first encountered difficulties. They were unfamiliar with the conditions in the marketplace, and the procurement of raw materials and the marketing of the products caused them problems. In this situation, during the period of "learning," custom processing appeared the most sensible form of cooperation with industrial enterprises.

Custom processing generally requires exceptionally simple tools and machinery, which the farms are able to obtain easily and at low cost. In many instances the industrial enterprises place suitable equipment at the farms' disposal. Custom processing usually involves labor-intensive operations that do not require a high level of vocational training. The period of training is short, and thus local labor with a lower level of industrial skills is suitable for this purpose. For the farms with experience in making industrial products, it is much easier if the customer enterprise supplies the necessary materials and technological specifications, trains the workers, and also provides technical assistance. At the same time the small-scale industrial plant is relieved of the problems of procurement, market research, and marketing.

Often custom processing is more economical than industrial production for a farm's own account, because it is less of a burden on the development fund, and it also requires less fixed and circulating capital. During production the industrial enterprise's money is tied down, not the farm's. However, the basic drawback of custom processing is that a plant of this type is to a large extent at the mercy of the industrial enterprise. Cancellation of the order by the industrial enterprise could jeopardize the small-scale industrial plant's very existence.

**Next Step: Cooperation**

Aware of this drawback, the agricultural cooperatives are striving to develop various types of relations with industrial enterprises. This manifests itself



not only in the efforts to diversify the forms of their relations, but also in contracting with several customers to load the capacity of a given small-scale industrial plant.

Cooperation in the real sense of the word is a higher-level form of relations than custom processing and is more advantageous for the cooperating partners. It always means permanent relations. The industrial plant of the agricultural cooperative or state farm has its own machinery and specific production structure, in which it acquires considerable know-how. Within the production structure, the specific production technology is tailored to the customers' requirements.

Radical changes have occurred during the past two years in the establishment of cooperational relations. In the past it was typically the industrial enterprises that sought out the industrial sections of the farms. Today it is mostly the industrial main branches of the farms that seek as partners industrial enterprises able to provide the farms with work that is suitable for their specific conditions.

The industrial enterprises most often farm out within the framework of cooperation the technological operations, partial processing, etc. that do not require particular skills, are not very complicated and do not have to meet strict quality standards. From the viewpoint of the industrial enterprise, the reasons for establishing cooperation most often are shortages of manpower in certain trades, products foreign to the main production structure, and the absence or inadequacy of machine capacity for the given product mix. Lower production costs are only among the secondary reasons for establishing cooperation.

#### Opinion of Industry Experts

Experts at industrial enterprises believe that the state enterprises, industrial cooperatives, and the ancillary industries of the agricultural cooperatives differ in terms of the substantive attributes of cooperation. The interviewed experts ranked the different types of organizations on the basis of prices, quality, lead time, and flexibility. The comparisons contain numerous subjective elements, but even so the answers show surprising agreement and are identical especially on the questions of prices and quality.

It can be clearly established that agriculture's industrial plants generally work for less, but this does not mean that they do not charge high prices in some instances (especially in the case of shortage items, monopoly products or urgent work). The usually depressed prices of the small-scale plants still contain substantial profit.

The cooperation strategy of the individual enterprises can be expected to differ significantly in the future. The enterprises that are planning to increase their production will strive to expand their cooperational relations.

But even these enterprises will mostly be seeking to develop further permanent cooperation that meets their special needs. The enterprises that are planning

slower growth or stagnation are expecting also possible cuts in production and do not wish to expand their cooperation in the future. In the interest of better capacity utilization, they foreseeably will even terminate some of their cooperation or custom processing arrangements that can be termed traditional, and they will strive to make their own parts and subassemblies. The newly formed enterprise business work partnerships' effect also points in the direction of such "self-sufficiency."

#### Are the Small-Scale Plants Flexible?

In some areas agriculture's industrial activity efficiently supplements concentrated state industry. It is able to perform economically and flexibly tasks that the specialized large enterprises decline to undertake, even though the performance of these tasks would fulfill a social need. To a significant extent, the formation and rapid growth of the industrial plants of agricultural cooperatives and state farms can be explained by large-scale state industry's need for flexible small-scale plants.

But the question arises as to how suitable these plants are for a better balance of the Hungarian economy's disproportionate structure of enterprises by size. In other words, are these plants able to perform the functions expected of flexible small-scale plants?

The small-scale industrial plants in agriculture are strongly differentiated also from the viewpoint of market flexibility and production flexibility. There are few small-scale industrial plants producing directly and permanently for the marketplace; their number is estimated at 100 to 150. These highly market-oriented, flexible small-scale plants are engaged predominantly in food or wood processing and, in a few instances, in special-engineering or light-industry activity.

Most industrial plants within agriculture are linked--although with different intensities--to one or more industrial enterprises. Most typical of the plants in this group is that a large part of their capacity is reserved for 1 or 2 years by the industrial enterprises with which they are in contact. The small-scale plants load the rest of their capacity with ad hoc contracts or with products (usually consumer goods) which they then sell directly. The food-industry, woodworking, mining, and construction-industry plants typically maintain ties with a single industrial enterprise or procurement organization, while the engineering, chemical-industry, light-industry and wood-processing plants ship to two, three and occasionally even more industrial enterprises.

The production of the individual industrial plants varies significantly. There are considerable differences also in the content and form of the relations with customers and suppliers, and in market behavior. The internal organization, system of incentives, availability of experts, etc. likewise are different in the individual industrial plants. These factors determine to a large extent a given plant's product mix and the scope of its economic activity.

#### Directions of Developing the Product Mix

From the viewpoint of the industrial plants' market orientation, the industrial activity of the agricultural cooperatives can be classified into different types.

The nature of the market relations is decisive in terms of how intensive the factor of entrepreneurship is, but also the manpower structure, the system of incentives, and the organizational structure (in other words, the link to the cooperative's management) influence entrepreneurial behavior. On the basis of these factors, the industrial sections of the agricultural cooperatives can be classified into three basic types:

- I. Industrial plant dependent on an industrial enterprise;
- II. Entrepreneurial industrial plant; and
- III. Industrial plant dependent on the cooperative.

#### I. Industrial Plant Dependent on an Industrial Enterprise

A large proportion, an estimated 80 to 85 percent, of the agricultural cooperatives' industrial plants are of this type. Their formation can be attributed in most cases to external influences, specifically either to stimulation from the sociopolitical leadership of the megye or to the industrial enterprises' cooperation programs.

Such cooperatives usually lack a team of enterprising specialists with thorough technical knowledge and marketing experience. They do not have any industrial traditions to speak of.

On the part of the agricultural cooperatives, the main motives for developing relations with industry are their interests in earning income and in retaining their manpower. And the industrial enterprises' reason for establishing relations is their desire to farm out a part of their product mix, due to manpower shortages. In such cases the industrial enterprise provides the machinery and equipment (usually old and obsolete), and also the orders. The agricultural cooperative provides the buildings necessary for production (these are usually unused buildings, built originally for agricultural purposes) and the manpower.

The industrial enterprise concludes a contract reserving the capacity of the agricultural cooperative, usually for a longer period of time. It assigns to the agricultural cooperative usually work that is labor-intensive but does not require much skilled labor and is no longer economical for the enterprise itself or helps to relieve its manpower shortage (custom processing).

Experts of the industrial enterprise usually participate in organizing the given industrial sections and in training the workers. The industrial enterprise's interest leaves its imprint on every important moment in the plant's operation, and the plant may practically be regarded as a subdivision of the industrial enterprise. The plant manager's role in shaping market relations is insignificant and most often limited to procurement. Even the wage system is based on the industrial enterprise's norms, even though these norms were set originally for more modern machinery, and for skilled and experienced workers. The agricultural cooperative receives an amount that contains the enterprise's estimated wages plus profit; it pays its workers performance wages.

This type of industrial plant can be successful, from several points of view. For the industrial enterprise it does work that is of suitable quality and, most importantly, is economical; specifically it does the operations that the

industrial enterprise itself would be unable to do, because of its own manpower shortage. The most important consideration for the agricultural cooperatives is that their industrial plants provide job opportunities and earn income that, although not outstandingly high, is dependable. The relationship also helps to introduce industrial work standards in agriculture.

## II. Entrepreneurial Industrial Plant

In most respects this is the exact opposite of the preceding type: the industrial plant plays an active role in the marketplace and attains considerable independence, not only from the enterprises that are its suppliers and customers, but from the cooperative's management as well.

Between 2 and 3 percent of the total number of small-scale industrial plants, an estimated 100 to 150 plants, belong in this type.

The industrial plant usually is formed on the initiative and under the supervision of an expert who has considerable professional experience in the given field, as well as the necessary technical or marketing knowledge. The initially favorable development of the economic environment and system of regulation also played a role in the emergence of such industrial plants. Such plants produce mostly products that are in short supply or for which there is a profitable market. As a rule, these industrial plants deal with many customers, flexibly supply also special demand, and accept even custom orders. They take maximum advantage of the possibilities stemming from their flexibility.

Typical of the plant's manpower structure is that usually skilled and semi-skilled workers of average ability are grouped around a highly skilled expert.

The task of the plant's manager is to organize the market, and to develop the technological system and the system of work organization. The unskilled workers' role is to do what they are told. The hierarchical arrangement of production is reflected in the internal system of income distribution. The incomes of the plant manager and of his staff of experts depend to a considerable extent on the profitability of the plant.

The market position of industrial plants of this type is favorable. The outstanding profitability of certain types of products stems primarily from shortages. A good example of this is the high profitability of the plants specializing in the production of standard engineering parts. Later plants of this type lost ground or were less able to spread, because most of the produced income was not spent at the industrial plant. The agricultural cooperative's management skimmed off a substantial proportion of the surplus income and used it to develop or support other, less profitable areas, usually the cooperative's basic activity.

As a result, not even the industrial plant of the entrepreneurial type is an independent small business that operates under "pure" market conditions and directs its activity solely in accordance with the effects of market forces. Characteristic of its operation from the very beginning have been the subordination and uncertainty, the extent of which depended on the internal balance of power; the constant changing of the various conditions, both economic and non-economic; and the limiting effect of the partners' discriminatory actions.

### III. Industrial Plant Dependent on the Cooperative

The cooperative's management coordinates and directs several kinds of industrial activity. The exercise of economic functions is divided between the cooperative's management and the managers of the industrial plants.

Here, unlike in the case of industrial plants of the first two types, there are relatively extensive economic relations between industrial plants, within the cooperative. To a fairly large extent the industrial plants are the objects of maneuvering by the cooperative's management. Here actually the cooperative's management itself is the "entrepreneur." The individual plants are subordinate parts of a larger enterprise, and their incomes depend more on fulfilling the tasks assigned by the cooperative's management rather than on the profitability of their own activity.

Regulation of personal incomes is fairly independent of the activities' market success. Custom processing is typical in most cases, but outward the small-scale industrial plants are less dependent on the industrial enterprise. About 12 to 18 percent of the agricultural cooperatives' industrial plants are of this type (Table 4).

Table 4. The Different Types of Industrial Plants, Based on Market Relations

<u>Factors influencing market behavior</u>	Types of industrial plants		
	<u>I</u>	<u>II</u>	<u>III</u>
Entrepreneurial behavior	2	3	2
Manpower's skill	1	2	2
Marketing	2	3	1
Material incentives	1	3	2

1 = weak; 2 = average; 3 = strong

#### In the Light of 15 Years' Experience

The experience gained over the past 15 years with the operation of industrial plants within the farms' organization structure shows that these small-scale plants have been able to fulfill only to a small extent and in some areas the tasks that state industry expected of them.

--Among the causes of this situation we should point out first of all that these plants never had the conditions necessary to fulfill the functions of flexible small-scale plants. Among the conditions we may point out the absence of opportunity for expansion and development. Most of the net income produced by the industrial plants was taken away from them and used to develop the farms' principal activity. This made it possible to reduce the central subsidies for agriculture, but at the same time it hampered the unfolding of flexible small-plant functions and the spreading of such plants.

--Numerous phenomena of the relations between the industrial plants and the large-scale industrial enterprises hamper the actual development of small-plant functions and of mutual incentives. Often the large enterprises are discriminating against the small-scale plants. In placing orders, preference is



often given to the large-scale state enterprises, as a result of various informal contacts. This creates a certain instability for the small-scale plants.

--The industrial enterprises' inflexibility also can be a disturbing factor in the development of relations. As a rule the industrial enterprises supply basic materials only in large lots, with a long lead time, unevenly and often with considerable delay. This poses an especially great financial burden for the small-scale plant and occasionally makes its continuous operation impossible. A by no means insignificant effect of the large enterprises' lack of flexibility is that permanent shortages develop even of products that can be produced the most economically by enterprise organizations of large or medium size. Occasionally this creates an advantageous market situation for the farms' industrial plants that switch to the production of such products that can be produced in large series. This explains why sometimes even a small-scale industrial plant can become a monopoly.

--Flexible operation of the small-scale plants is being hampered also by effects related to the economy's system of institutions and the system of regulation. In the initial stage of the ancillary industrial plants' operation, the mode of taxation provides strong incentives and made it possible to raise personal incomes commensurately with the profitability. There were incentives to improve productivity, modernize the technology, etc. In principle the production tax, as the principal form of taxation, created identical conditions for every plant. In practice, however, the conditions were not identical because the differentiation of the tax rates by sectors asserted certain sector preferences. Thus not only the economic conditions of the farms and other economic organs differed significantly, but also the possibilities of the plants operating in various industrial sectors. The effect of differences in the price system likewise made for different conditions of operation. The possibility of pursuing an activity that required licensing also differed.

--The various hampering factors reinforced one another and in their aggregate encouraged the farms to engage in industrial activities that involved relatively simple labor and required neither too much development (investment) nor too much know-how. This explains why also these industrial plants are striving to produce in larger series, simply, with semiskilled labor that can be trained easily; and then they are reluctant to abandon such production, as a result of which their product mix becomes rigid and they lose their flexibility. In the course of "development," they depart more and more from the forms closely linked to performance. The plants increasingly prefer deals of large volume that offer only a small or medium profit but are dependable. Instead of seeking profitable markets, the plants place emphasis on exploiting the loopholes in economic regulation. Naturally, such an approach can produce only short-term results.

It is undeniable that the activity of the small-scale industrial plants within agriculture is useful: their ability to generate income relieves the state budget of substantial agricultural subsidies; they have a favorable effect on the level of farm production; and they also alleviate some of the cooperation-al problems of the large-scale industrial enterprises. But it is questionable

whether in the long run the ancillary industrial plants will be able to offset the absence of flexible small-scale plants, which is causing so many problems in state industry, and whether this form is truly suitable to eliminate the difficulties in cooperation. From this point of view, as we have seen, the ancillary industrial plants must be judged in a differentiated manner.

1014

CSO: 2500/110



NEED FOR MORE BROADLY BASED INVESTMENT DECISIONMAKING CITED

Warsaw ZYCIE GOSPODARCZE in Polish No 41, 9 Oct 83 pp 1, 12

[Article by Mieczyslaw Nasilowski: "Investment Maneuvers"; excerpts from a larger study written for the Economic Advisory Council]

[Text] The reform's classification of investments into central investments, local investments, and investments by economic organizations is not being accompanied by major changes in the mechanisms for regulating this sphere of activity. The traditional discretionary-bargaining methods, which have recently been concentrated on the halting of investments that have been begun and starting them up again, are still dominant. The importance of the problem is enormous, but the consequences of this process are not always sufficiently understood and appreciated.

The estimated value of investments carried out at the end of 1982 was about 5.7 billion zlotys. The freeze on investment funds in construction is estimated to amount to 1.1 billion zlotys, while the so-called commitment, i.e., the required amount of funds necessary to complete the construction of the installations begun in the past, was about 3.3 billion zlotys. Taking into account the fact that the average annual investment outlays for the years 1983-1985 are planned to be at a stabilized level of about 820 billion zlotys (including outlays for investment construction of about 600 billion zlotys), this means that outlays for investment construction are committed for an average of more than 5 years to investments currently being carried out, and in some sectors for much longer periods. The optimum level of commitment meanwhile should be within the limits of 2- to 2.5-year outlays.

The Poorness of the Choices

In 1982 about 88 percent of the total investment outlays was absorbed by the continuation of investments begun in the past, and only 12 percent of the funds was allocated for the construction of new installations. In the country's socioeconomic situation, in which it is not possible to increase the amounts of investment funds in the national income, in view of the

unfavorable consequences for both current consumption and the country's balance of payments, the indicated ratios are extremely unfavorable. Thus, instead of performing a critical review of the undertakings being continued and limiting the excessive investment front, the list of installations recently halted is being reviewed from the point of view of the possibility of their further continuation in the years 1983-1985.

This review is being conducted under strong pressure, primarily from the branch ministries. In view of the freeze on funds, as well as the unsatisfied investment requirements in many branches, it is easy to find arguments justifying the need to continue the installations begun in the past. The representatives of a branch or ministry never think in terms of alternative cost effectiveness, on the basis of which it would be possible to point out that the same funds could bring considerably greater benefits to the national economy in other sectors. The price of disengagement from the structure of the frozen funds has to be high. This is already a historical cost, and salvaging these funds at any cost is a possibly unnoticed but inevitable multiplication of the losses measured in terms of alternative cost effectiveness.

The strong pressure to renew the halted investments dangerously weakens the central policy of a restoration of equilibrium and the proposed changes in the structure of the national economy. Discussion of the so-called restructuring under conditions in which barely 12 percent of the investment funds is being used for new undertakings is nothing more than a new dissemination of illusions. The internal structure of the otherwise correctly formulated development plans for the food, housing, and fuel and power industries consists to a predominant extent of continued tasks that were selected back in the time of the development strategy that gave rise to the crisis, and of the fatal practice of an open-ended investment plan. Until the conditions for a rational choice are created, along with mandatory mechanisms for solid financing, all attempts at central management of the national economy will in practice be transferred to ministry levels. Arguments will be found everywhere there to present a solid defense of the branch's development interests and to dismantle in this manner every reasonable development strategy for the entire national economy.

The creation of objectivized decisionmaking mechanisms is an exceptionally difficult matter. Their effective operation entails the fulfillment of many conditions, which will not be attainable in our country for a long period of time. The structural imbalance, side by side with a general economic disintegration, major differences in the situations of enterprises and sectors, numerous monopolistic systems, a long-term lack of possibilities for making imports into a factor providing competitive pressure for domestic monopolies, extensively manipulated prices and other regulatory norms, and also the lack of sociopolitical stabilization and active support for government policy--as a result of all this, the road to full parametrization of the reformed system is still long and difficult. The parametric system of managing a socialist economy, together with its development activity, should be treated, however, as an appropriate variant of the reform. The goal we should gradually aim at is based on searching for paths for arriving

at economic-financial and institutional solutions that rule out the ease of a return to the command system, and create channels and even entire areas for us that make it easier to arrive at parametric regulation in the future. The question that imposes itself today is in which direction we should improve the development mechanism of the national economy under the conditions of a serious imbalance?

### The Allocation Mechanism

This mechanism should take into account the different functions of central and local investments and those by economic organizations. The procedure for allocations from central investment quotas should in principle be the same as in the parametric system. It is of decisive significance to recognize the current and future development needs of the national economy and the imbalances and bottlenecks that occur. The national economic significance of these investments means that their allocation is beyond the jurisdiction and range of vision of any local or ministry authority. Every project for central investments within the framework of the overall development concept should be thoroughly examined from the standpoint of its usefulness and effectiveness on the basis of at least two independent expert opinions. These opinions would be presented to the Commission for Evaluating Investment Projects of the Planning Commission. After they are verified and commented upon by the management of the Planning Commission, they would be forwarded for confirmation by the highest political authority.

Central investments should be financed by a bank credit derived from the quota of funds intended exclusively for those undertakings. The central bank should not have any influence on investment decisions financed from this quota, being obligated only to monitor the course of their implementation and authorized to impose a higher percentage rate on credits extended outside the normal period for the construction of a central investment installation.

Credits extended for investment undertakings of a production nature should be repaid through amortization and profits achieved after the installation is turned over for use. On the other hand, credits extended for investment undertakings of a nonproduction nature should be amortized after the construction is completed. They thus have the nature of state subsidies. Excess interest resulting from the contractor's exceeding the standard construction period should be covered by his account.

The absence of parametric prices virtually prevents the use of cost effectiveness to choose among competing alternatives. Consequently, more emphasis must be placed on analyses and supplementary, comparative, and competent opinions from independent experts.

In the present situation, an important question is the objectivization of the share of central investment quotas in overall investment outlays so that the government or the Planning Commission does not expand their scope arbitrarily at the expense of investments by economic organizations or also local investments. In view of the country's extremely limited investment

possibilities, this constitutes a major threat to the restoration of economic ratios and to avoidance of a deterioration of capital assets. I do not see a more reliable criterion for the share of central investments in overall investment outlays than the statistically established share of capital assets serviced by central investments in the total capital assets of the national economy. It is on this same basis that one should presently designate the quota of local investments and of those by economic organizations.

The mechanism for distribution of the local investment quotas among individual voivodships, in an initial approximation, can also take into account the ratios occurring between the capital assets in individual voivodships and their financial capabilities. Exclusive use of such a criterion, however, would petrify the present structure and would give regional development policy a self-sufficient and thus essentially passive nature. Thus, a mechanism has to be created for supplying local budgets with financial funds from the central budget, based on the criterion of equalizing differences in the level of regional development. A reinterpretation of this correct principle for criteria objectified in practice for the central supply of funds requires special studies in the sphere of specialized measurements of the level of regional development, the resulting investment needs, and their distribution in time relative to the overall capabilities of the national economy. Purely discretionary criteria will lead to favoring the economically developed voivodships. As a rule they have easier access to decision centers, and in addition a more highly developed infrastructure, guaranteeing a generally higher effectiveness from the expenditure outlays.

The main task of regional investment plans is currently to liquidate the frequently arising imbalances between the neglected technical and social infrastructure in urban centers, and the existing housing construction resources, necessary for its further development. It is not possible to establish any general principles in this area. Investigating local investment needs, the degree of neglect, and the priorities for selection, in light of the existing financial and operational possibilities, should be entirely in the hands of the autonomous local authorities. Selections and decisions in the area of more important investment projects at the voivodship level, like those concerning central investments at the national level, should be based on two independent expert opinions.

Interference from the central authorities can be justified only in the case of a need for rapid expansion of the local infrastructure serving a central investment, or larger investments by economic organizations in the area of a given voivodship, if the existing technical and social infrastructure turns out to be insufficient in connection with the expansion of the scale of requirements. This interference can furthermore be expressed through a given supply of funds from the central quota, and not in the form of an administrative order.

## Parameters Instead of Orders

The most complex question is associated with determination of the prerequisites for the formation of the structure of investments by economic organizations. The existing production apparatus structure, formed in the 1970's under the influence of easy supply imports, became a cause of the crisis under the conditions of closed credit possibilities and foreign exchange limitations that prevented the financing of supply and investment-related imports. Numerous bottlenecks appeared, especially in production by the manufacturing industry, which led to a far-reaching deterioration of the manufacturing apparatus.

Under the conditions of an imperfect market and manipulated prices, the amount of profit obtained does not show the effectiveness of production, nor does it retain any connection with investment needs, viewed from the standpoint of overcoming the bottlenecks and a gradual integration of the national economy, guaranteeing an increase in production. High profits can also occur in sectors of production that are characterized by low utilization of production capacities, where the need for investment does not arise, at least for a certain period, and where even a periodic deterioration of capital assets does not have to be an undesirable phenomenon.

At the same time, low profits occur frequently in the areas of production that constitute a bottleneck from the point of view of material supply or increasing the supply of consumer goods. This especially concerns basic goods for general consumption, for which the prices are preferentially low--they often do not even provide a minimal profitability--and the requirement for the products is high. With such a structure, the self-financing of reconstruction and modernization investments may not only not contribute to the required processes of integration of the production apparatus, but may even intensify the existing lack of integration in certain sectors. An important conclusion thus results, that under the conditions of a serious disruption of market equilibrium and a nonparametric price structure, an expansion of investment autonomy in the reformed system cannot yield socially desired results, since it does not serve to overcome the bottlenecks and improve the structure of production so as to restore market equilibrium.

Does this mean that it is necessary to return to direct administrative measures for regulating the structure of investment? This would be the worst possible solution. It is demanded mainly by those who perceive the ineffectiveness of the reformed mechanisms during the period of emergence from the crisis, and see an alternative only in returning to what they know and understand. In connection with this, they delude themselves that after the unpleasant experiences of the past, it will be possible to use the recognized methods more carefully, with an increased sense of responsibility, supported by a broader--at least apparently--base of social consultation.

Not only does such a solution not promise hopes for progress, but it also puts off the question of systemic reform until a new collapse and new social pressure. The only way out is a modification of the economic mechanisms that will take into account the difficult realities of the

Polish economy, and at the same time open the door for an intensification of the systemic reform in the future, not for shutting out the possibility of improving it.

The basic weakness of the existing economic mechanisms is the lack of links among the level of prices, the financial situation of enterprises, and the investment needs in individual areas of production resulting from the need to restore overall equilibrium and partial equilibria in production and in the market. It is thus necessary to create a surrogate for this linkage as quickly as possible. For this purpose it is essential to conduct a detailed and competent analysis of the current state of the imbalances, the scale of the tensions and restrictions, the degree to which past coproduction ties have been severed, and an estimate of their potential multiplier effect. It is a task that is difficult to perform, especially with the existing nonparametric price structure. Such an investigation, however, is a condition for the effectiveness of regulatory activities. Otherwise, we are condemned to an expensive method of trial and error. Regulation should thus be indirect, and therefore performed with the aid of economic instruments stimulating a reorientation of thought and practical activity at all levels of management of the national economy.

The preparation of a chart of production and supply shortages, by branches of the economy, may constitute a basis for establishing indices for a maximum ceiling for the growth of prices (cf. the concept that Prof Krzysztof Porwit formulated in studies for the Economic Reform Commission). Using these indices only makes sense, however, when there are considerable production shortages, and social considerations prevent establishing prices for a market equilibrium eliminating the financially weakest purchasers from the market. Maximum price ceilings should apply to consumer goods; on the other hand, in the sphere of supply goods we must now already strive to base the principles of price formation as much as possible on the formula of supply and demand. With the principle of self-financing in effect, this formula ensures the most correct possible allocation of funds among competing goals, and makes it possible to limit state interference solely to supplying priority government programs. Maximum price ceilings for the means of consumption should be differentiated not only depending on the degree of the shortage of production, but also on the possibility of increasing production further on the basis of domestic raw materials and investment funds. This will eliminate the possibility of price manipulations and avoid the achievement of high profits when there is no desire or possibility for an increase.

The structure of maximum price ceilings giving preference to the areas of production that are most desired and socially necessary should encourage self-financing enterprises not only to undertake a full renovation of their assets and modernization, but also to undertake an expansion and modernization of production. Achieving higher profitability, however, does not have to be synonymous with an increase in the tendency to invest, especially in enterprises in which the self-government unit decides on the ratio of the distribution of the income achieved for an increase in worker emoluments and



for the renovation-development goals of the enterprise. The tendency to prefer the current consumption needs of the work force is as a rule stronger than the tendency to invest, unless the work force associated with the plant perceives its future interest in the development of the enterprise, and is convinced that it will be able to discount fully its own benefits derived from the investments undertaken, and thus also the limitations in the current growth of personal incomes.

A factor hampering an excessive growth of monetary wages in relation to the market situation is the currently utilized taxation of the increase in the wage fund in FAZ [Vocational Activization Fund], after the elimination of tax breaks for achieving an increase in production. During a period of severe market disequilibrium, this is an essential instrument, but one that is insufficient from the point of view of reinforcing the tendency to invest in the preferred areas of production. It should be supplemented by an incentive structure of tax breaks on the invested portion of profit in the socially most desired areas.

Maximum price ceilings can conflict with the interests of the consumers, since the determining factors of maximum price increases will be relatively higher there, since supply is most restricted in relation to demand. A price-income incentive system controlled by the state should encourage the activation of all possible reserves, an increase in production, and a modernization of the production apparatus. As I have stated, maximum price ceilings should take into account the equilibrium prices for supply goods that guarantee the best allocation of funds. The contradiction between the requirements of the profitability of production and preservation of the interests of the consumers can be partially resolved through appropriate compensations, mainly through a periodically maintained system of equalizing surcharges utilized in the sphere of trade. Then the maximum price ceilings used in production for consumer goods would not reach the consumer. A system of protective prices would temporarily be maintained, and the difference between the protective price and the maximum price would be covered in trade by the central budget.

The creation of a quasi-parametric economic mechanism blocking ease of manipulation and the use of discretionary criteria is a condition for progress in increasing the efficiency of the structure of production, raising its quality, reducing material consumption, and arousing interest in innovation in production processes and in overall renovation and modernization activity. Even an imperfect economic mechanism can make a better contribution to expansion and to overcoming the bottlenecks than central command methods, since it strengthens the principle of self-financing, which elicits self-governing initiative combining in itself various components of the incentive system, which will encourage or even compel efficient operation in the entire management of the enterprise, and not only in arbitrarily selected portions of its operation. The numerous real limitations in the area of supply will certainly hinder the effective operation of economic mechanisms. They should not, however, work worse than the traditional command-distribution methods. And, which is most important, they will lay



the groundwork for the reformist trend, which is the only chance for creating conditions for microeconomic efficiency and for further improvement on this basis of central regulation of the macroeconomic ratios.

#### The Regulation Mechanism

Under the existing investment and supply restrictions, the mechanism for central regulation of development ratios within the framework of the investment quotas for economic organizations should be based on the following three principles:

--a mandatory share of bank credit in financing investment undertakings of a developmental nature;

--bank allocation of credits only for projects that fit into the central balances of requirements and the possibilities of the national economy, drawn up with a breakdown by branch;

--selection by the bank of investment applications separately in each branch, in accordance with the criterion of diminishing effectiveness.

The first principle sets the condition of bank control over the investment initiative of economic organizations within the scope of the expansion of the existing production capacity, or the construction of new enterprises. The central bank has to keep watch over macroeconomic development ratios, and not permit the economic organizations to develop an excessive tendency to invest that exceeds the absorptive capacity of the national economy. On the other hand, if the tendency to invest turned out to be too low in relation to the plan targets and the capabilities of the economy, then the bank, by favorable financing conditions, can encourage undertaking investments.

Financial guidance of the investment activity of economic organizations has to be based on the targets of the central investment plan, which is constructed on the basis of an analysis of the needs and capabilities of the national economy. Parameterized supply prices and quasiparametric prices for the means of consumption should facilitate not only a diagnostic but also a long-term analysis of the development needs and capabilities in individual sectors of the national economy. The sector investment plan adopted by the Sejm should constitute a mandatory limit for the credit policy of the central bank. On this basis the second principle was formulated, the paramount goal of which is to avoid creating inflationary credit money beyond the budgetary capabilities of the national economy. This is a question of achieving consistency between the investment goals of economic organizations, and the ratios adopted in the plan for the development of individual sectors. The structure of maximum price ceilings, and demand policy, should be formed in a manner that stimulates producers and investors to undertake activities consistent with the intentions of the central planner.

In step with emergence from the crisis, the completion of the investment installations begun, and the maintenance of restrictions with respect to

excessive growth of the workers' wages, a high tendency for economic organizations to invest will be restored. The possibility of increasing investment outlays will be extremely limited for many years to come, however, in view of the enormous tensions in the balance of payments and the danger of an increase in the rate of inflation.

One should thus assume that the demand for investment credit from the bank will exceed the centrally designated quota of investment funds. This is why I am formulating the third principle of credit policy, in accordance with which all investment projects submitted to a bank and justified by cost effectiveness are ranked in individual sectors according to the criterion of diminishing effectiveness of the investment zloty. In this manner charts will appear of the requirements for investment funds, with outlined proposals for participation by the enterprises in financing their investment goals from their own funds and from bank credit funds.

The bank would then have the possibility of a flexible choice between acceptance of a larger number of investment projects with a smaller share of credit funds, and an increased share of credit funds within the framework of the quota allocated for a smaller number of projects. Thus one cannot establish a priori a rigid boundary that would somehow automatically isolate the ranked projects with a certain required effectiveness. Obviously, every project submitted to the bank must meet the criterion of effectiveness in the sense that the discounted total of the profits anticipated over a given period of time must be greater than the discounted total of the outlays.

The bank thus makes a selection for financing only from among the competitive alternatives, and rejects the noncompetitive alternatives which thus do not guarantee a profitable return of the outlays incurred. The degree of the effectiveness of the investment goals in each sector is different, and always will be. This creates an area of choice, and determines the future possibilities for prompt repayment of the credit. Such a bank credit policy clearly requires summoning competent groups to conduct an authoritative assessment of the investment goals in individual branches. It cannot be based only on the bank staff.

The analysis conducted in this study leads to the conclusion that the formation of an efficient structure for the production apparatus cannot be handled exclusively by a central decisionmaker, deprived of reliable information and real alternatives for selection, and under pressure from various special interests. At the same time, the central decisionmaker cannot be deprived of the possibility of influencing investment processes that determine the directions of economic development. He has to keep under his direct control investment of strategic significance, national ones, and those creating a material-technical base which governs the directions and effectiveness of future development, or protects the country's defense interests.

At the same time, there is a need to form an economic-financial mechanism that would allow the central decisionmaker to conduct a more objective redistribution of resources, aimed at a gradual equalization of differences

in the level of development of individual voivodships, disregarding, however, direct forms of interference in their local development structure, which should be handled entirely by the territorial self-government unit.

The structure of investment by economic organizations should to a great extent result from their investment initiative, and be consciously guided through the credit policy of the central bank, which carries out the aims of the central economic plan.

Formally, the general framework for such activities has already been created. In spite of this, the mechanism for the selection of investment projects for the central quota is not functioning properly, nor is the mechanism for equalizing differences in the level of regional development and the self-governing system of selections for the structure of regional goals, nor is the mechanism for solid financing of the investment projects of economic organizations. The central decisionmaker does not have a good familiarity with the bottlenecks, and likewise does not have tentative estimates of the potential multiplier effects of overcoming them. To a decisive degree, his actions thus have an ad hoc and intuitive nature, and are really characterized by good will, but deprived of the possibility of correct and effective action. No one is capable of telling the central decisionmaker in advance which bottlenecks the very limited available funds should be concentrated on, and how the structure of the production apparatus will be formed in the future, even if one were to consider as fully justified and correct the selection of priority development programs for the food and housing industries and the fuel and energy base, since there are very complex alternatives for selection in each of these programs, not to mention their scope, or the consequences for development in nonpriority areas, for which essential funds may be lacking even for normal renovation.

Decisionmaking processes will thus not be improved by devising new programs for structural changes. The road to this goal is improving objective information and economic mechanisms, and also socializing the decision-making procedure, submitted for competent assessment and control at various levels of the management of the national economy.

9909

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ACADEMIC ECONOMISTS-PARTY MEMBERS CONFER ON PROGRESS OF REFORM

Warsaw ZYCIE GOSPODARCZE in Polish No 45, 6 Nov 83 p 3

[Article by M.K.]

[Text] The economic situation has brought about increased public expectations directed at the economists. They are aware of this, and this is confirmed by the narrow spectrum of issues which were considered at the PZPR Main School of Planning and Statistics [SGPiS] Committee plenum, which was devoted, among other things, to discussion of the participation by the economists, of this the largest economic school in the nation, in economic reform activities. Attention was primarily focused upon basic issues, among them:

--To what extent is the current shape of the reform faithful to the initial reform document adopted by the Ninth PZPR Congress and the PRL Sejm?

--To what degree is the reform accomplishing a profound transformation in the functioning of our economy and advantageous to the establishment of new structures?

--Where in the economic reform can progress be noted, where is there order, and where on the current level can we denote the most critical dangers?

--To what internal and external conditions is the economic reform program subject?

--To what degree are the established operational mechanisms and the newly created legal solutions utilized by the current economic policy?

--What role will the currently implemented systemic modifications play?

The presence of Prof Zdzislaw Sadowski, the deputy plenipotentiary for reform matters, promised interesting polemics. A discussion, however, did not take place because the professor, overwhelmed by a great number of obligations, left the session very soon after the presentation of the plenipotentiary's position and, after responding to certain speeches, without unfortunately giving the participants an opportunity to reply.

During the discussions the legislative reform process was assessed in a positive manner. It was emphasized, however, that the existence of an appropriate legal statute is a necessary but not sufficient condition to activate the most important economic mechanisms and forces. We need to draw upon the potential opportunities which have been created by the legal system. Meanwhile, less important laws often stand in the way of reform, and in the best instance they weaken the influence and clarity of the mechanisms implemented.

The particular concern of the plenum participants was prompted by the lack of marked progress in self-government activities, and it was stressed that self-government must be treated as an important systemic gain, and as an element of public and economic life, without which one could not imagine the future functioning of the socialist society and economy.

In the opinion of the experts, there is a constant justified apprehension that reform achievements have not yet transcended the critical point which dictates the establishment and operation of a new quality within the economy, and therefore an element in which certain processes will be irreversible. They have not yet succeeded in liberating the energy and enterprising spirit inherent in our entire society.

The implementation of obligatory labor mediation was viewed as a positive strengthening of the administration's position, but was viewed as contrary to the reform spirit, and all the more doubtful because formerly existing experiences in this area are destroying the credibility of the success of such endeavors.

At the same time modifications in reform principles which were to be compulsory from 1984 on were not approved by the SGPIs economists, and one of the basic complaints concerned the lack of a sufficiently strong informational base in the form of an artificial accounting system, which would allow correct decisions to be taken. Thus the apprehension was justified due to the fact that there will be a need to implement new systemic rectifications.

Certain elements within the proposed modification also aroused doubts, above all the increased consideration for so-called departmental specifics concerning detailed solutions, recognized as areas of strong regional rival interests.

Detailed solutions, however, were not considered to be of great importance. It was recognized that at the most they would deform the mechanisms. Questions of a fundamental nature, however, continue to present a threat to the reform's success as a system-wide operation.

The greatest danger to the reform was presented by the inertia of the organizational system of the formerly existing national economy, evident in the inclination toward "manual guidance," which was influenced by a lack of consistency in the reconstruction of the center and prevented the establishment of an intermediate management level in the form of branch and association-federation ministries. The duplication of departmental units has a strengthening influence upon the monopolistic characteristics of our economy, a fact which has been recognized as equally dangerous. This leads to market divisions, weakening of innovation, disregard for quality production requirements favored by the market

situation, a lack of a suitable set of antimonopoly laws, and public supervision and growing bureaucratization of the system. In addition, the situation is complicated by the constant dilemma between the government's protective functions and egalitarian tendencies, and coercion through the effective preservation of economic subjects. Attempts are being made to clarify it, for example, by implementing "equitable prices," and intervention in cost and profit analysis. Therefore, the apprehension is real concerning the reform of economic conditions which will be replaced by modifications in the distribution system, and effective pressure will be replaced by administrative pressure.

It was stressed at the session that reform success is the prerequisite for surmounting the economic crisis. Therefore, the belief that coercion of desired economic subjects can be achieved through legal and administrative methods is deceptive.

Therefore, there was much skepticism regarding the government anti-inflationary and conservation programs, which, according to the experts, despite their valid assumptions are mistaken in the level of diagnosis of results and causes, and treat conservation and the struggle with inflation as goals within themselves.

12229

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POORER DIET NOTED IN RECENT YEARS

Warsaw KURIER POLSKI in Polish 11 Oct 83 p 3

[Article by Andrzej Dryszel: "Diet Threatened"]

[Text] The difficulties confronting the Polish economy are expressed in macroeconomic ratios with the aid of indices and percentages. However, they also have their own very specific dimensions--likewise evident on our plates.

Because in recent years, the diet of the statistical Pole has suffered. And in it there are precisely fewer of those items which, from the point of view of this statistical citizen's food preferences, are regarded as particularly basic.

In 1980, the annual consumption of meat per person amounted to 74 kg. Last year, it was only 58 kg. Three years ago we ate 223 eggs, in the previous year--200. The consumption of fish declined from 8.1 to 6 kg; of fats--from 24.8 to 21.6 kg. Practically no change occurred in the consumption level of potatoes--160 kg; grain-flour products--125 kg; sugar--41 kg. On the other hand, the present consumption of milk will most likely surpass last year's level of 255 liters.

The reduced consumption of fats, although incompatible with our culinary tests, certainly is good for sensible nutrition. But this does alter the fact that during the course of the past 4 years, the caloricity of our diet has declined by approximately 200 kilo-calories daily, whereas the consumption of animal protein has declined by 10 percent and remains on the 1970 level.

Border Line

We often ask ourselves the question whether a reduction in the supply of food-stuffs causes malnutrition in some groups of our society. However, the opinion of the Council on Food Economy sounded reassuring--a poorer diet is not accompanied by more serious threats, because the food we consume still furnishes essential quantities of basic nutritional substances. The Ministry of Health takes a similar position also, stating that the crisis did not result in any basic changes in the condition of public health.



Some specialists maintain, however, that the situation appears otherwise in the case of young people (inter alia, Prof Dr Janusz Charzewski expressed his opinion on this subject in an interview entitled "Anthropology Will Tell You the Truth, Tall--Yes, Healthy--?" KURIER POLSKI 9 August 1983). The Institute of Food and Nutrition conducted a direct study, from this point of view, of a representative group consisting of 2,000 children and young people from Warsaw schools. It appeared that the consumption of protein was less than the required standard. A vitamin deficiency was likewise discovered. An eminent specialist in the field of nutrition, Prof W. Szostak, emphasized that already there are changes in these age groups as a result of inadequate food. Similar studies conducted in cafeterias indicated that the food served there contains too little vitamins and mineral content.

Therefore, a great deal points to the fact that it is not permissible at this juncture to fall below the presently existing level of nutrition. This could carry the threat of delays in development, especially in the case of young bodies, and diminished resistance to various diseases; and to the best of our ability, we should strive to enrich our diet and detach ourselves from the dangerous bottom border line. And it is possible.

#### Consumption Barriers

As was indicated in the opinions of the Council on Food Economy, an adjustment in the nutritional standards would be desirable in the approaching years, by guaranteeing an average consumption of 60 kg of meat annually; 8 kg of fish; 260 liters of milk; 210 eggs; 130 kg of grain products; 23 kg of fats; 160 kg of potatoes. These quantities are consequently only slightly above last year's.

The program for agricultural development assumes that consumption in 1985 will approach that theoretical standard, with two exceptions, however: the consumption of meat will be lower by 4.5 kg, and fish by 3 kg. And precisely these two products are the principal source of protein--a basic element which must be included in our food.

Unfortunately, a rapid increase in the supply of meat and fish cannot be relied upon. The capabilities of the Polish economy are limited. We do not produce sufficient amounts of fodder and there is a lack of foreign exchange currency for its import. The fundamental objective confronting the agricultural-food system--in other words, food self-sufficiency--implies, after all, limitations on the importing of farm crops and basing oneself on domestic supplies. And this naturally will be an organizational factor in increasing supplies in the approaching years.

Quantity shortages should be rectified with changes in the structure of consumption. Then it is anticipated that vegetable protein will serve as a substitute for a portion of the protein contained in meat. This will require above all an increase in the consumption of pulse crops, which are likewise rich in vitamins. They should constitute an ever-increasing percentage of all green-stuffs supplied.

In recent years the average Pole consumed some 1 kg of pulse crops. It is anticipated that by 1985 this amount will be increased at least threefold--depending obviously on whether the public can be successfully persuaded to dispatch a dish of peas, beans and lentils. Since the end of World War II, consumption of those nutritious, although perhaps not too exquisitely palatable vegetables, systematically declined.

#### At Odds With the Ecology

[Text illegible] controls confirm extraordinary quantities of harmful bacteria, the number of food poisonings increases. Microbiological studies indicate that our food contains lead and cadmium in quantities sometimes exceeding the permissible levels. This can represent a damaging threat to kidneys, bones and the blood vascular system.

Nitrogen also finds its way into food, accumulating in the soil as a consequence of vigorous fertilization with nitrogen preparations. But these compounds can have a cancer-causing effect and, for example, as a consequence of requirements by British importers of bacon, the Polish counterpart reduced its nitrogen content from 200 to 150 mg per 1 kg.

All of these threats are also a consequence of the economic crisis. In recent years there has been a lack of sterilizing agents, and sanitary conditions of production deteriorated. And they brushed aside our food problems in favor of a second plan, the matter of developing "sanitary farming," which would be to the highest degree possible free of unfavorable environmental influences and devoid of harmful microelements. Agriculture in highly developed countries of the world stands for precisely such functioning in conformity with ecological principles. Polish scientists likewise appreciate this problem. But having concern for the health of society, we must accept the ecological challenge of a larger scale than heretofore.

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## YUGOSLAVIA

### BRIEFS

YUGOSLAV-EEC CONSULTATIONS--Brussels, 11 Dec (TANJUG)--After the 2-day consultations between the EEC and Yugoslavia, one gets the impression that Spain and Portugal joining the EEC will not affect the third countries to the extent they were affected by Greece joining it. According to Milica Ziberna, head of our delegation, an EEC commission will prepare an analysis and present it to the community's ministerial council. "The aim of the analysis is 'to take in all direct and indirect consequences of the association in the community by Spain and Portugal and to undertake certain measures with a view to preventing deep disruptions in relations with third countries.'" In this first round of consultations, our delegation presented many concrete views and stressed the fact that the present positive trend of cooperation is of mutual interest. [Summary] [Belgrade BORBA in Serbo-Croatian 12 Dec 83 p 7 AU]

KOSOVO PRIVATE AGRICULTURAL INVESTMENT--The Socialist Autonomous Province of Kosovo is completing the necessary preparations for one of its largest agricultural investment project, which will provide some \$180 million for the development of the private sector of agriculture in the province. The project has been approved by the International Reconstruction and Development Bank, which is expected to contribute about \$79 million to the project. The Fund of the Federation for Development of Underdeveloped Regions will provide \$72 million and the private agricultural producers themselves are expected to invest \$29 million in the project. [Summary] [AU111807 Belgrade Domestic Service in Serbo-Croatian 0300 GMT 5 Dec 83]

EXPORTS TO WEST INCREASE--Belgrade--In October, the value of Yugoslavia's exports to developed countries of the West amounted to \$2.7 billion, or 28 percent more than last year. At the same time, the value of imports from these countries reached \$4.4 billion, or 11 percent less than at the same time last year. [Summary] [LD171213 Belgrade TANJUG Domestic Service in Serbo-Croatian 1602 GMT 15 Dec 83]

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